FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

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Arms sales and the U.S.: Europe's patience wears thin, Page 18

NEWS SUMMARY

GENERAL

Soviet Union expels American

Soviet newspaper Pravda said an American vice-consul in Leningrad, D. Shorer, had been expelled for allegedly spying. He was said to have been seen collecting material from a "dead-letter" box.

A U.S. embassy official in Moscow said that staff had no recollection of anyone with a name like Shorer working in the Leningrad consulate.

Moscow stepped up the pressure in the propaganda war. Senior foreign affairs expert Leonid Zamyatin said relations with the U.S. were unlikely to improve while President Ronald Reagan was in power. The Soviet Government condemned Washington's refusal to sign the United Nations law of the sea, accusing the U.S. of trying to wreck the orderly exploitation of marine resources.

In Washington, officials said the expulsion of two Soviet officials and the departure of a third was not in retaliation for the previous expulsion of a U.S. diplomat from Moscow.

Wroclaw arrest

Polish police have arrested in Wroclaw Jozef Pinior, said to be a member of the banned Solidarity movement's underground wing. He is accused of anti-state activity and having used big sums of money, including Western currency, on his activities.

Turks lift ban

Turkey's military rulers lifted the ban on political activities imposed in 1980, in preparation for a general election this autumn or early next year.

Mozambique claim

Mozambique said its forces intercepted a group of South African agents, who then fled, inside the country last week and captured explosives.

French cable plan

France plans to open a fourth television channel next May, with what Communications Minister Georges Fillioud says is the world's first national cable TV system.

Appeal to Queen

A group seeking to visit the graves of Argentine soldiers killed in the Falklands has sent a telegram to Queen Elizabeth "as the mother of a soldier in that war" to intercede with the British Government to lift its ban on the trip.

Oil slick talks reopen

Ministers from eight Gulf countries, including warring Iran and Iraq, resume talks in Kuwait today on the major oil slick that is threatening desalination work and marine life. Iran has admitted it is losing $500,000 a day from the oil leak.

Catalan protest

In a Catalan protest attended by 8,000 in central Barcelona the Spanish flag was burned and an election kiosk belonging to the ruling Socialist Party set on fire.

Space encounter

U.S. spacecraft Pioneer 10 passes the planet Pluto today on what is the furthest journey into space of a man-made craft. It carries messages for any intelligent life it may encounter.

Briefly . .

French container ship sailed into Hong Kong with 107 Vietnamese refugees it picked up in the South China Sea.

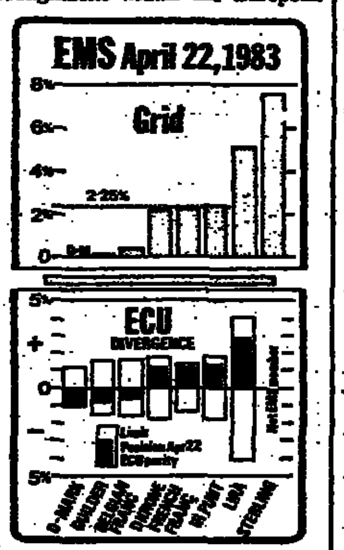
Uppsala, Sweden: Church leaders from 60 countries urged the destruction of all nuclear weapons within five years.

BUSINESS

Jaguar car output rises by 41%

● OUTPUT of Jaguar cars, the luxury saloon produced by the British Leyland group, was up by 41 per cent in the first quarter at 7,755 vehicles, following sharply increased demand. Major improvements in productivity were made. Half the sales were in the U.S., and Jaguar is making a strong effort to increase its German sales. Page 29

● D-MARK lost ground last week, especially against the dollar, as profits were taken after the latest realignment within the European



Monetary System. This prompted considerable central bank support, and by the end of the week the D-Mark was looking steadier.

The Dutch guilder was also weak, pushing Dutch interest rates firmer and prompting central bank support.

Recent strength of the Danish krone enabled the central bank to cut its discount rate on Thursday to 7½ per cent from 8½ per cent. The Italian lira remained the strongest currency.

The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from its "central rate" against the European Currency Unit (ECU), itself a basket of European currencies.

● EGYPT, not an Opec member, is to raise the price of its key Suez blend oil by 50c to $25.50 a barrel. Egypt and the Soviet Union have signed an agreement on scientific and cultural co-operation. Page 3

● COSTA RICA's central bank has signed a preliminary agreement with 170 foreign private banks to reschedule $880m debts. Page 3

● OPEC aid to developing countries in 1981 was four times as much, as a proportion of national gross domestic product, as that given by Western industrialised nations, said OECD.

● OECD countries' unwritten consensus agreement on limiting competition in export finance could expire this week without a clear decision on its replacement at the Paris meeting which opens today. Page 20

● U.S. AND JAPAN plan to resume Washington talks this week on Japanese restrictions on imports of U.S. beef and citrus fruit. U.S. will also discuss with the UK in Washington this week its insistence on investigation alleged price-fixing on North Atlantic air routes.

COMPANIES

● ALLIED CORPORATION, U.S. industrial conglomerate, is to buy the chemical operation of troubled New York group Gaf for $410m.

● FRED OLSEN, the Norwegian shipping group, increased operating *profit 89.7 per cent last year to NKr* 246m ($34.5m). Page 22

● UCB, Belgian chemicals group increased 1982 profits 239 per cent to BFr 872m ($17.9m), and plans a June rights issue. Page 22

Kreisky resigns as Socialists lose their majority

BY W. L. LUETKENS IN VIENNA

Dr Bruno Kreisky, Chancellor of Austria since 1970, announced last night that he was resigning when it had become clear that his Socialist Party had lost its absolute majority in Parliament.

The provisional official result of the election was: Socialists, 90 seats, and 47.8 per cent of 4.8m valid votes cast (last election: 95 seats, and 51 per cent); conservative People's Party, 81 seats and 43.2 per cent (77 seats, 42 per cent); conservative Freedom Party, 12 seats and 5 per cent (11 seats, 6 per cent).

A drawn-looking Dr Kreisky said before the television cameras that it was up to his party to decide who would succeed him. It is known that he would like Herr Fred Sinowatz, the vice-chancellor and a jovial exponent of Austrian consensus politics to become the next chancellor.

The conservative People's Party is the clear winner of the elections, even though it added only 1.3 percentage points to its vote. The People's Party knew it could not pull ahead of the Socialists and most of its officials are pinning their hopes on a revival of the Grand Coalition with the Socialists, which was in office from 1947 until 1966.

Dr Kreisky spoke strongly during the campaign against the revival of such a coalition, but last night was non-committal when asked about its possible reconstitution.

The next move is with President Rudolf Kirchschläger, a non-party man. He has undertaken to call upon the largest party to form the government. That means the Socialists, although the president can also indicate a preference for the colour of coalition he prefers.

The retiring chancellor left open how much influence he would wish to continue to exert in the politics of his country. He would remain leader of the Socialist Party for the present, and must thus have considerable influence on his successor in the party and presumably, in the chancellor's office.

Theoretically, a coalition of the People's Party and the Freedom Party is possible, although it would be extremely hard to govern Austria against the Socialists.

The People's Party, led by Dr Alois Mock, has made a clear impression with his campaign argument that the Socialist Government has driven the budget into intolerable deficit. Dr Mock also argues that the Socialists have leaned over too far to finance the deficits of state-owned industry, above all steel, instead of using tax cuts and incentives to encourage small private industry.

The Socialists ran largely on their economic record – an inflation rate that has regularly been below Western European averages and is expected to drop to 3.7 per cent this year, and an unemployment ratio expected to rise to a modest 4.5 per cent.

At the same time Austria has, since 1982, run an unaccustomed current account surplus.

It is internationally recognised that these are good figures, but in security-minded Austria the unemployment ratio is considered uncomfortably high. Dr Mock pursued this point throughout the campaign.

This security-mindedness probably accounts for the unexpectedly poor showing of the Greens – both a middle-class group and one of the non-Communist far left. Both had been given chances of getting into Parliament.

U.S. optimism on Shultz Mid-East peace visit

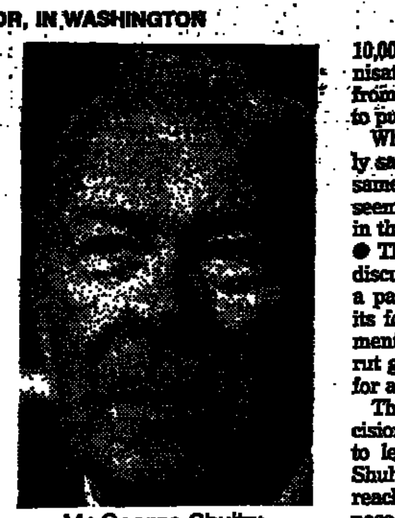
BY REGINALD DALE, U.S. EDITOR, IN WASHINGTON

MR GEORGE SHULTZ, the U.S. State Secretary, left for the Middle East last night amid cautious optimism in Washington that his two-week mission could help to break the impasse over President Ronald Reagan's peace plan for the region.

Mr Shultz said before leaving that the desire for peace in the Mid*dle East was not dead despite King* Hussein of Jordan's refusal to join wider peace talks, and last week's bombing of the U.S. Embassy in Beirut.

He said Arab leaders had indicated that they might reconsider the Reagan peace initiative, first launched last September.

In an interview with the Washington Post newspaper, Mr Shultz said: "It does seem to me there's a certain shock that has taken hold as I read the cables from the various Arab capitals, in which people are saying to themselves, 'Are we really going to pass this up? Maybe we can't afford to do that.'"



Mr George Shultz: two-week mission

Mr Shultz is to begin his talks in Cairo today. He will then go on to *Israel, Beirut, and possibly other* countries, such as Jordan, Syria and Saudi Arabia, under what is described as a flexible itinerary.

His first aim will be to try to bring the Israeli-Lebanese negotiations on foreign force withdrawals from Lebanon to a successful conclusion – hopefully opening the way to wider peace talks.

Other Administration officials said they hoped that Mr Shultz's first trip to the area since taking office nine months ago would prompt Israel to make concessions in the force withdrawal talks that have *dragged on for four months.*

Both Lebanon and Israel must show more flexibility, they said, but it was primarily up to the Israelis to change their demands for assuring the future security of their northern border. A final agreement was "not out of the question," they added.

Mr Shultz warned, however, that there could still be a problem persuading the 40,000 Syrian and 10,000 Palestinian Liberation Organisation (PLO) troops to withdraw from Lebanon, even if Israel agreed to pull out its 35,000-strong army.

While the Syrians had consistently said they would withdraw at the same time as the Israelis, "they seem to have changed their pitch" in the past week or so, he said.

● *The Israeli Cabinet yesterday* discussed the possibility of staging a partial, unilateral withdrawal of its forces in Lebanon, if no agreement can be reached with the Beirut government over Israel's terms *for a complete withdrawal.*

The Cabinet did not make any decision on this proposal, preferring to leave the issue open until Mr Shultz has made his attempt to reach an agreement over the Lebanese issue.

Officials in Jerusalem expressed mixed feelings about the trip by the Secretary of State who is due in Israel on Wednesday from Cairo.

On the one hand they said they hoped that he could persuade Lebanon "to act in its own interests," and *ignore the pressures* from the other Arab countries.

● President Mubarak of Egypt welcomed Mr Shultz's visit and said it was "vital and important" not just in the search for a peace agreement but also to the image of the U.S., writes Charles Richards from Cairo.

The Egyptian leader took issue with President Reagan over the role of the PLO.

Bonn and UK in trade talks

BY JONATHAN CARR IN BONN

A TOP-LEVEL West German industry and banking delegation will discuss prospects for boosting trade and investment links with Britain during two days of talks starting in London today.

Despite the commercial importance of each country for the other, this is the first visit by so senior a German *business group since* 1977 when the Labour Party was in power in Britain.

The German side is thus anxious to see at first hand what has changed, for example, in Britain's industrial relations, and how the Conservative Government sees the economic prospects.

Heading the agenda will be talks with the Prime Minister, Mrs Margaret Thatcher, the Chancellor of the Exchequer, Sir Geoffrey Howe, and with representatives of both the Confederation of British Industry (CBI) and the Trade Union Congress (TUC).

The 15-member German group is led by the president of the Federation of German Industry (BDI), Dr Rolf Rodenstock. Among its members are Herr Rudolf von Bennigsen-Foerder, head of the VEBA energy group; Dr Dieter Spethmann, chairman of the Thyssen steel and engineering concern; and Dr Herbert Grunewald, head of the Bayer chemicals giant.

Representatives of the electricals, building and aerospace sectors, as well as members of the Deutsche and Dresdner Banks, round off the party.

West German new direct investment in Britain last year totalled just over DM 1bn ($406.7m) – more than in any country apart from the U.S. This was also about DM 400m more than direct investment by British enterprises in West Germany.

On the trade side, the West Germans boosted their deliveries to Britain by nearly 20 *per cent to DM* 31.3bn, while Britain's exports to Germany fell by 1.4 per cent to DM 27.1bn.

The fall in the British figure was caused by a drop in overall West German imports of crude oil – where Britain is now the Federal Republic's second biggest supplier after Saudi Arabia. If oil is excluded, then Britain's other exports to West Germany rose by a modest 1.7 per cent.

Fanfani may step down this week

By James Buxton in Rome

SIG AMINTORE FANFANI, the Italian Prime Minister, whose five-month-old government was doomed last Friday by the decision of the Socialist Party to withdraw its support, is expected to resign towards *the end of this week.*

Despite a fierce rejection at the weekend by *Sig Ciriaco de Mita*, the Christian Democrat leader, of the Socialist demand for general elections on June 26, there is growing consensus among political observers that there will be general elections in June, a year before they are due.

Sig Fanfani met President Sandro Pertini on Saturday. Later it was announced that the Prime Minister would go before the Senate on Thursday for a debate on the situation caused by the withdrawal of the Socialists, whose support is essential to the survival of the four-party coalition, which also includes Social Democrats and Liberals.

But this is only a formality designed to lend some dignity to the fall of yet another government. After the debate, the Prime Minister is expected to go to the Quirinal Palace to resign.

Sig de Mita portrayed the move of Sig Bettino Craxi, the Socialist leader, as blatantly opportunist, intended purely to cash in on a possible increase in the Socialist vote in a general election. He attacked Sig Craxi for lacking any plan for a future administration, while bringing down a government that the Socialist leader himself acknowledged to have been successful.

But while wishing to pin the blame firmly on the Socialists for bringing down the Fanfani Government, *there is a limit to how far the* Christian Democrats are able, or may be willing, to press their professed opposition to early elections.

Though President Pertini – who has in the past strongly opposed the idea of prematurely dissolving Parliament – has not yet publicly declared his hand, there are restrictions on how much he can do to keep the legislature alive. Even if a Christian Democrat-led minority government, without Socialist support, were formed it would be at best a short-term expedient.

To Christian Democrats, it might seem rather pointless to fight to postpone elections for only a few months, instead of combining them with the regional elections scheduled for June 26, as the Socialists propose.

Parliament must be dissolved by May 11 for general elections to take place in June 26 after the minimum 49 days campaign.

BankAmerica in Seafirst rescue bid

BY WILLIAM HALL IN NEW YORK

BANKAMERICA CORPORATION is mounting a $400m rescue of the financially troubled Seafirst Corporation, which involves the biggest merger across state lines in U.S. banking history.

BankAmerica is the parent of Bank of America, one of the largest banks in the world.

The deal, announced late on Saturday, follows mounting speculation in recent weeks about the future of Seafirst, the biggest banking group in the state of Washington and the 29th biggest in the U.S. The bank has run into severe financial difficulties as a result of its energy loan portfolio – a large part of which was bought from the Penn Square Bank of Oklahoma City, which collapsed last July.

Seafirst lost $91.3m in 1982 as a result of its need to make provisions of $170m on its $1.1bn energy loan portfolio. It announced over the weekend a net loss of $133.0m *for the first quarter of 1983 and* revealed net loan losses on its energy lending of $61m. This brings its total loan losses on energy lending since the troubles first broke last summer to $186m.

Seafirst also revealed over the weekend that its non-performing assets had risen to $897m, which is equal to 12 per cent of its $7.4bn loan portfolio. These assets earn no interest or interest at a reduced rate. Roughly a third of the bank's energy loans are understood to be non-performing at present.

The scale of Seafirst's first quarter losses are considerably worse than the financial markets had been expecting and have knocked close to a third off the group's equity base since the end of 1982. Shareholders equity now totals $323m against $583m, 12 months ago.

Given the scale of the losses, there was a very real fear that the announcement of the first quarter losses would result in a loss of confidence in the bank. Last week, Seafirst had been trying to raise $200m of new capital, without losing its independence.

But it appears that its financial situation was so serious that it *had* little option but to agree to a takeover by BankAmerica.

Banking legislation has generally *prohibited a bank in one state* from taking over a bank in another. However, Washington State is changing its laws to permit takeovers of local banks by out of state banks and the Seafirst merger is conditional on these laws being passed, plus agreement by several other regulatory bodies.

Under the terms of the deal, shareholders in Seafirst will receive $250m. Half of this will be in cash and the rest in non-voting prefered stock with a stated value of $25 per share. In addition, BankAmerica will inject $150m of primary capital into Seafirst's principal subsidiary, Seattle-First National Bank, on completion of the merger.

Mr Richard Cooley, who was *brought in from Wells Fargo at the* beginning of the year to head Sea-

Continued on Page 20

Auto workers end Caterpillar strike

BY RICHARD LAMBERT IN NEW YORK

A STRIKE, which for more than 200 days has paralysed the U.S. operations of Caterpillar Tractor, the world's leading manufacturer of earth moving and construction equipment, ended over the weekend. Members of the United Auto Workers Union (UAW) voted by a majority of more than two to one to accept a new three-year labour contract which, they claimed, was significantly more generous than the company had planned to offer.

The union said that Caterpillar's attempt to "emasculate the contract" had failed.

Under the new agreement, which will run through to the middle of 1986, workers will not receive the automatic 3 per cent annual wage increase which has been a traditional part of previous contracts. Instead, they will participate in a new *profit-sharing plan*, which includes a guaranteed payment whether or not the company makes a profit.

In another key issue in the dispute, the two sides have reached a compromise on the question of attendance bonuses. Workers will no longer receive paid time off in return for good attendance, but will get a cash bonus instead.

Workers will continue to receive

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CONTENTS

OVERSEAS NEWS

Brussels plan for young jobless

BY JOHN WYLES IN BRUSSELS

EEC GOVERNMENTS are being urged to adopt a new strategy for creating 2.5m jobs for the young. In the same week the European Parliament will express its concern for the jobless at its first special session in Brussels for 26 years.

The European Commission's proposals on youth unemployment have been rushed out partly in order to satisfy the Parliament that Mr Ivor Richard, the Social Affairs Commissioner, is doing all he can about unemployment.

Mr Richard's approach is to lay out a set of policy actions and to urge member states to adopt all of them. Some are already being operated across the Community. Mr Richard believes that a consistent and common approach, backed by £600m a year of EEC money, could create in five years 2.5m jobs for those under 25.

The Commission is proposing five approaches:

● Creation of new jobs through the reorganisation and reduction of working time with a deliberate bias towards benefiting the young;

● Use of recruitment premiums to encourage employers to create new jobs;

● help for young people start their own businesses;

● expansion of publicly-funded employment with special concentration on absorbing young people;

● better support for the non-vocational interests of the young.

The Commission claims that these actions would bring youth unemployment down to the average for adults. At the moment, the jobless rate among the under 25s is nearly 20 per cent, compared to an adult rate of 10 per cent. Over 2m young people have been out of a job for more than six months, and almost 1.5m for more than a year.

The Parliament is expected to have much to say on the problem during its day and a half session in Brussels on Wednesday and Thursday. The debates are unlikely to have any concrete results, although they will exert some pressure on the Commission and member governments.

For many MEPs the fact of sitting in Brussels will be as important as the subject under discussion. The decision was taken in a surprise vote in February and represents a victory for those members who want to hold all of their meetings in one place—preferably Brussels—rather than divide their working existence between Brussels and Strasbourg. Luxembourg has been almost eliminated as a meeting place.

In Luxembourg today Community Foreign Ministers will meet for their regular monthly session. They will discuss ways of overcoming the community's financial crisis and the associated problem of Britain's contribution to the Community Budget.

W. German shipyards in cuts pact

By John Davies in Frankfurt

WEST GERMANY'S four northern coastal states have reached an agreement envisaging cutbacks in shipyard capacity and further job losses, while calling for further government aid.

The agreement involves bitter concessions by the Social Democratic government of Hamburg, which has been fihting to preserve traditional work and jobs.

A common and realistic approach by the states was one pre-condition set by the federal Government in Bonn for any re-thinking of its already substantial programme of shipyard aid.

The states see the need for government help of DM100m (£41.3m) a year for three years to promote investment, co-operation between shipyards, and diversification into related work and research. They also want a further DM 60m a year for three years to be spent on subsidising contracts.

Hard bargaining now lies ahead—to decide how any new government aid can be financed from federal and state budgets, and to get the industry's co-operation.

The coastal states have made a gesture to Bonn by describing their proposals as assistance for the industry's own measures to adapt.

They also insist that the big shipyards must not benefit from aid at the expense of small and medium-sized yards.

Inconclusive result in Iceland poll

The results of Iceland's parliamentary elections on Saturday are totally indecisive and will most likely cause a long and difficult political crisis, Jon Magnusson reports from Reykjavik. Dr Gunnar Thoroddsen, the Prime Minister, said yesterday: "No clear lines emerged from the elections and the political parties cannot say how long it will take for a new government to be formed."

The outgoing coalition of Progressives and People Alliance Parties under a former Independence Party premier, has been without a clear majority in Parliament since last autumn. It will most likely resign in the next few days but remain as caretaker until a new government can be formed.

The chaotic economic situation in Iceland needs immediate austerity measures—a fact that puts heavy pressure on the parties to form a workable coalition.

French hopes on trade deficit fade

By Our Paris Correspondent

THE FRENCH Government has practically given up hope of cutting the country's trade deficit by half this year—one of the main aims behind the package of austerity measures announced last month.

This follows the announcement at the weekend that the trade deficit for March, although down from the figures of January and February, continued at the uncomfortably high level of FFr 6.58bn (£845m) on a seasonally adjusted basis. A prime reason for the scaling down of the trade target is the unexpected continuing strength of the dollar, which is pushing up import prices, particularly of oil.

The March deficit was down from FFr 9.6bn in January and FFr 7.6bn in February, but it brought the trade imbalance for the first three months of the year to FFr 23.8bn.

This is roughly 50 per cent of the original target for the deficit for the whole year of FFr 45bn, half of last year's FFr 93bn. As a result, officials have revised the Government's aim towards the less ambitious objective of clipping the deficit to FFr 45bn for the 12 months to next May.

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EEC may extend steel quotas

BY PAUL CHEESERIGHT IN BRUSSELS

EEC INDUSTRY Ministers today are expected to extend the production quota system for Community steel manufacturers to the end of 1985. The present system expires at the end of June. But Italy and the UK will probably use the Council of Ministers meeting in Luxembourg, to press for a greater share of the overall production.

Production curbs, set and administered by the European Commission under its powers from the European Coal and Steel Community treaty are regarded as essential while the restructuring of the steel industry takes place.

Industry Ministers have already agreed that the EEC should phase out subsidies and cut some 35m tonnes of capacity by the end of 1985 to achieve both a rough balance of supply and demand and an industry working at 70 per cent of capacity.

Mr Patrick Jenkin, UK Industry Secretary, goes into the meeting with the knowledge that the British Steel Corporation's retrenchment plan is further advanced than those of other EEC steel producers.

The claim that Britain's restructuring record is a good one carries with it the implication that other producers should do more. In recognition of the severe cuts in BSC capacity and manpower, there is a British entitlement to a greater share of EEC production.

Italy has consistently argued that because its industry does not have the same restructuring problems as other European steel sectors, it too should have a higher quota.

These factors suggest that while there will be no problem at the Council on the principle of extending the quota system, there could be dispute about the terms.

The meeting will also examine the use of state assistance in the restructuring of national industries.

Oil prices force down Opec aid

BY DAVID MARSH IN PARIS

AID FLOWS from the Organisation of Petroleum Exporting Countries to the neediest developing nations have been declining in real terms since 1978, according to an authoritative report published in Paris today.

The report, from the Organisation for Economic Co-operation and Development, says net aid flows from Opec in nominal terms fell in 1981, the latest year for which data is available, to $7.7bn (£5bn) from $8.1bn in 1980.

Expressed in constant prices, Opec aid reached its zenith in 1978, when the nominal figure was $8.1bn, and has been falling since then in spite of the fillip to the oil price in 1979/80.

Apart from stagnating or declining oil revenues among Opec members over the past two years, the report cites as the prime reason for the decline in aid the revolution in Iran and the war between Iran and Iraq. These have led to the collapse of the Iranian aid programme and a sharp decline in Iraqi aid after 1980.

With many aid programmes curtailed, the four Arab Gulf states—Saudi Arabia, Kuwait, Qatar and the United Arab Emirates—have become increasingly dominant as Opec aid donors. In 1981, in spite of a decrease in their own aid disbursements, these four states supplied 95 per cent of Opec aid, compared with their share of 80 per cent in the mid 1970s.

In spite of a fall in their aid to 1.40 per cent of gross national product in 1981 from 1.70 per cent in 1980, the Opec states remained well ahead of developed countries as aid donors. The industrialised West granted a collective 0.35 per cent of their GNP in aid in 1981 against 0.38 per cent in 1980, in cash terms, representing $25.6bn against $27.3bn in 1980.

Compared with the rest of the world, aid disbursed by Opec reached a peak as long ago as in 1975, when it totalled almost 3 per cent of the oil states GNP

Turkey lifts political activity ban

By Metin Munir in Istanbul

TURKEY'S MILITARY rulers yesterday lifted the ban on political activity and published a law which allows the formation of new political parties.

It now appears virtually certain that a general election will be held in the autumn this year, terminating military rule which started when Gen Kenan Evren and his colleagues seized power in September 1980.

Under the new law, political parties can start registering themselves with the Ministry of the Interior, starting from May 16.

But many restrictions remain. About 100 former political leaders—including two ex-premiers—Mr Suleyman Demirel and Mr Bulent Ecevit—will be barred from politics for a period of 10 years.

Gen Evren and his ruling National Security Council will have the authority to vet and veto the founders of new political parties. It will not be possible to form parties which will uphold Communism, Fascism or Islamic rule. Condemning the past deeds of the military administration and praising former civilian leaders will still be illegal.

The law states significantly that there will be no primary election to determine the candidates who will stand for parliament and no need to hold party congresses before the next general election.

Reagan plea on El Salvador aid

BY REGINALD DALE, U.S. EDITOR IN WASHINGTON

THE REAGAN Administration yesterday intensified its efforts to persuade a rebellious Congress to agree to its request for urgent military aid for the El Salvador Government, in advance of President Ronald Reagan's defence of his Central American policies before a joint session of both Houses on Wednesday night.

Mrs Jeane Kirkpatrick, the U.S. Ambassador to the United Nations, said the El Salvador Government, was "doing a very good job under very difficult conditions" in fighting the Left-wing guerrillas. She claimed that the Soviet Union had supplied the guerrillas with much better command, communications and control equipment, and often better weapons, than the U.S. had provided for the Government.

The Administration yesterday sent a group of Congressmen on a three-day visit to El Salvador and Honduras, to see for themselves before votes are finally taken on President Reagan's request for $110m in urgent military aid for the Government. One such vote, covering $60m of the aid, is set for Tuesday in a House appropriations sub committee.

In Nicaragua, Commander Daniel Ortega, the country's military leader, said that the Sandinist Government was still willing to sit down and talk to the U.S., adding that the conflict in the region could be resolved "politically or by warfare."

Sr Miguel d'Escoto, the Nicaraguan Foreign Minister, accused Honduras of complicity in Right-wing insurgency in Nicaragua and called for direct talks between the two countries "before it is too late."

In Washington Admiral Stansfield Turner, director of the Central Intelligence Agency (CIA) from 1977 to 1981, accused the Reagan administration of making a "bad mistake" if covert American aid to the Nicaraguan guerrillas was as extensive as has been reported.

Hugh O'Shaughnessy, in San Salvador, writes: Mgr Arturo Rivera y Damas, Archbishop of San Salvador, yesterday made a strong plea to the government forces and the guerrillas embroiled in the civil war in El Salvador to halt violence and seek peaceful solutions to the country's problems.

'Substantial progress' in talks on Afghanistan

BY ANTHONY McDERMOTT IN GENEVA

"SUBSTANTIAL PROGRESS" was claimed in indirect talks here involving Afghanistan and Pakistan over the Afghan crisis under the sponsorship of the UN. Mr Diego Cordovez, the special representative of the UN Secretary-General, said that a draft agreement was near to being reached which "would define the principles and objectives of a global settlement and the correlation between the individual parts of the settlement."

The talks opened on April 11 and this optimism is not generally shared by observers. They detect no softening of the Soviet position on the withdrawal of its 100,000 troops, the preservation of the Afghan government of Mr Babrak Karmal, guarantees against outside intervention in Afghan affairs, and the future of Afghan refugees.

It would seem, however, that enough progress has been made for the talks to be resumed here on June 16. The talks were not direct; Mr Cordovez shuttled between the two parties. Iran, which had refused to take part while the Mujahidin rebels were not present, was kept informed of developments.

Cairo and Moscow sign co-operation agreement

BY CHARLES RICHARDS IN CAIRO

EGYPT and the Soviet Union have signed an agreement in Cairo on cultural and scientific co-operation.

The provision of exchange visits is unlikely to have a great impact in itself. The agreement's significance is that it is part of a steady process of raprochement between the two countries.

The Soviet Union had an unhappy time in its relations with Egypt under the late President Sadat. In 1972, he expelled 17,000 Soviet military advisers. In 1977, he unilaterally cancelled Egypt's military debt. Finally in September 1981, a month before his death, he expelled the Soviet Ambassador

Egyptian officials now say an exchange of ambassadors is only a matter of time.

The U.S. Administration understands Egypt's desire for a more independent foreign policy.

But Egypt is conscious that Congress, which controls aid allocations to Egypt running at over $2bn (£1.3bn) a year for military and economic assistance, might be less understanding.

Costa Rica reschedules $880m debt

SAN JOSE, Costa Rica—Costa Rica has signed a preliminary agreement with 170 private foreign banks to reschedule debts totalling some $880m, the Central Bank said over the weekend.

The preliminary accord was signed on Friday by Sr Federico Vargas, Finance Minister, Sr Rodolfo Silva, Minister of State for Foreign Debt, and Mr Ulrich Merten, vice president of the Bank of America and representative of the creditor banks. A formal accord is due to be signed next month.

The banks will grant Costa Rica a four-year period of grace for capital payments of $515m overdue or falling due this year, and for $140m due next year.

Interest payments on the debt, estimated at some $240m, are to be made by the end of the year.

The help with these payments, the banks will grant a new revolving credit of $225m to finance imports. Interest on the new loan has been set at 1.75 per cent above the London inter-bank offered rate.
Reuter

Bolivia blockade

Roads to La Paz, Bolivia, remained blocked for the third day yesterday by peasants protesting about Government policies, threatening to paralyse the country's road and train network, AP reports

Bolivia seeks aid

BY MARY HELEN SPOONER IN LA PAZ

BOLIVIAN authorities have called on the international community to create an emergency fund for medium and long-term investments in the country, while predicting that Bolivia's gross domestic product would likely contract further during 1983.

Sr Flacio Machicado, the Finance Minister, told a United Nations-sponsored conference on Bolivia's economic problems and possibilities for assistance, that GDP in 1982 shrank by 9.5 per cent, a further decline from the one per cent fall in 1981.

He said that only with strong external financing would Bolivia be able to restore its economy, though even with a measure of international aid, short-term prospects were not particularly favourable.

Bolivia hopes to obtain a medium-term $400m credit from the International Monetary Fund

Weariness marks poll in Portugal

By David White in Lisbon

CAMPAIGNING for Portugal's parliamentary election, which is expected today to return Sr Mario Soares, the Socialist leader, as Prime Minister after an absence of five years, ended at the weekend in a spirit of weariness and apprehension.

On a public holiday for the anniversary of the overthrow of the dictatorship in 1974, the country's 7m voters have to choose between a dozen parties and two coalitions to renew the 250-member single-chamber assembly, in theory for another four years.

The usual, noisy fairground atmosphere of the campaign has contrasted with the apparent lack of enthusiasm of the electorate, going through the motions of a ballot rather like a religious obligation.

Europe's poorest democracy is choosing its fifth parliament in nine years against a background of economic gloom and with slim prospect of finding a durable government under its semi - presidential system, revived through a constitutional reform last year.

The Socialists, who have held the biggest share of the electorate of any single party, are expected to advance into the gap left by the break-up of the centre-right Democratic Alliance coalition, in power for the last 40 months.

Since local elections at the end of last year, Portugal has seen the resignation of Sr Francisco Pinto Balsemao, the Prime Minister, and changes of leadership both in his Social-Democrat PSD Party, backbone of the governing coalition, and in its main partner, the Christian Democrat CDS.

The Socialists, backed by their ruling sister-party in Spain, have been predicted in opinion polls to gain between 34.5 per cent and 38 per cent of the vote. The higher figure would be a record in a parliamentary election but not enough for it to govern alone.

Since Sr Soares has formally discarded a French style alliance with the Communists, any coalition arrangement would presumably turn on the PSD—the Socialists and the Social Democrats being the only two other parties that between them are thought capable of securing an absolute majority.

China border clashes continue

China now claims to have killed a total of 37 Vietnamese troops since fighting broke out on the Sino-Vietnamese border a week ago, Mark Baker reports from Peking.

The latest Chinese reports say 17 Vietnamese were killed and another three wounded in fresh border clashes last Thursday and Friday. They suggest that the situation on the border is worsening progressively, but is still at the level of skirmishing and light artillery exchanges between the border units.

China has been increasing its threats and accusations against Vietnam

Catalan nationalists on rampage

Extreme Catalan nationalists burnt down a Socialist propaganda stall in the main boulevard of Barcelona, Las Ramblas, on Saturday night at the end of a violent demonstration that underlined the growing radicalisation of the campaign for May 8 municipal election in Spain's second city Tom Burns reports from Madrid.

Soviet-made arms bound for Nicaragua

Brig Delio Jardin de Mattos, Brazil's Air Force Minister, has confirmed that most of the arms, ammunication and bombs unloaded from four Libyan aircraft held by the Brazilian authorities for the last 10 days are Soviet made, John Arden reports from Rio de Janeiro. The aircraft were supposed to have been carrying medical supplies to Nicaragua, but Brazilian authorities decided to hold them until their cargo was checked. Government officials have confirmed that the planes and the cargo will be returned to Libya, but not necessarily together.

Solidarity man held

Police in Wroclaw have arrested Mr Jozef Pinior, a member of the banned Solidarity trade union's underground wing, the official news agency Pap reported yesterday, Reuter reports from Warsaw.

CAIRO'S TROUBLED UNDERGROUND PROJECT

French ardour cools as tunnel delays mount

BY CHARLES RICHARDS IN CAIRO

UNDER THE HEADING "Cairo Governor Bans Digging Up Streets" an Egyptian newspaper cartoon depicts a surprised worker on the Cairo metro project being led away from his trench by police.

The cartoon succinctly illustrates a problem daily faced by the contractors. The Government commissioned the £250m project but wants none of the disruption to city life that its development brings. This explains why work on the capital's desperately needed rapid transit system has slowed virtually to a standstill.

The metro, first of its type in the Arab world, will give Egyptian contractors experience in building underground structures, such as car parks. But the benefit of this experience may be a long time coming because of Egyptian indecision and administrative shortcomings.

These are likely to make the French Government, which is providing FFr 1.1bn (£100m) in soft loans and Coface-backed export credits to cover two thirds of the underground construction costs, more wary of sponsoring other such projects in Egypt.

The project is the largest France has undertaken since the building of the Suez canal more than a century ago.

Sixteen months after work started, in November 1981, the four-year project for the bursting city of 10m is 12 months behind schedule with little hope of catching up.

Phase one, by far the most important sector of the project, calls for a 4.5 km tunnel to be dug across central Cairo. The tunnel and underground would link with phase two, which calls for modernising of existing rail lines from the north and south but converging on the outskirts of the most congested quarter of Cairo. The link-up would give the city 42.5 kms of urban transportation track.

But so far, attainment of this objective seems a distant dream—so far less than 400 metres of panels for the tunnel have been erected, and these in areas where street traffic does not need to be disturbed. In effect, less than 10 per cent of phase one has been completed.

The technical problems of digging a tunnel by the "cut and cover" method across a densely populated city are formidable. Water is three metres below the surface. Maps and even the most rudimentary plans of water, gas, electricity, telephone and sewerage networks do not exist. Engineers have as little idea what they might discover under ground as Howard Carter before his excavations unearthed the treasures of Tutankamun.

Inaccurate plans are blamed by metro workers who hit a water main in the central Tahrir square flooding the city centre for a number of hours.

But the hold-ups are administrative and organisational.

Contractors are unable to dig up roads because they often cannot get authorisation to divert traffic. Because of the nature of Egyptian decision-making, authorisation needs to be obtained separately from the Governorate of Cairo, the Cairo Transport Authority, and the traffic police, among others, for each diversion.

It can take weeks to obtain permission from just one of these authorities. In one case, it took two months to obtain permission to remove two palm trees.

A major problem is the lack of a single authority to deal with. The Egyptian National Railways (ENR) as client, set up the Metro Underground Organisation (MUO), but this does not have much political clout, cannot take decisions on traffic diversions, and does not own the land.

The appointment last month of a new governor of Cairo, and a new head of the MUO, a former army colleague of the Governor's who was formerly in charge of the Civil Engineering Corps, may inject some military decisiveness into the project.

Hopes that work might be set in motion were recently raised following the announcement that the prime minister had ordered work to start in Ramses square, by the main rail station.

Typically the contractors heard about this first from Press reports.

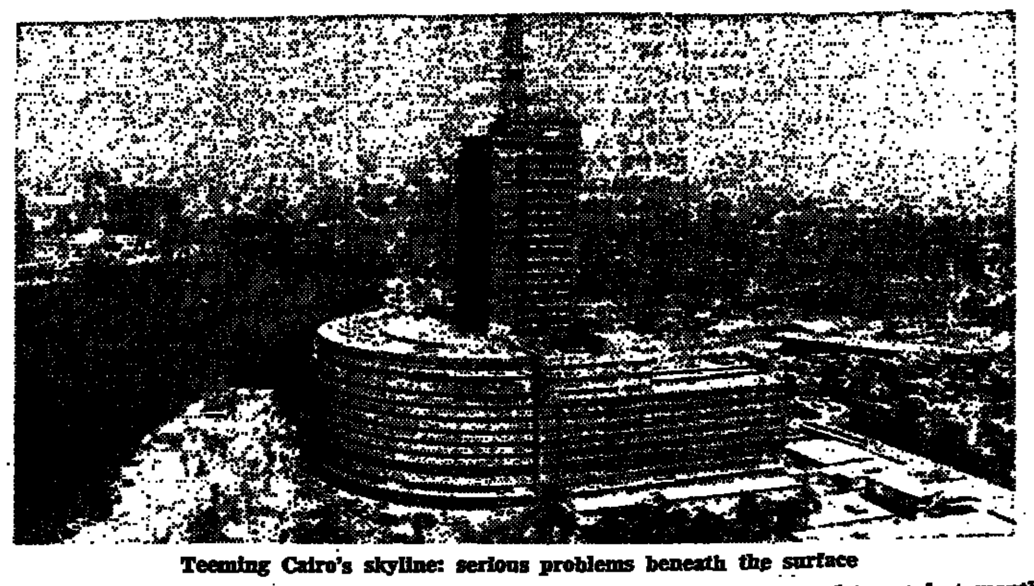
Consultants for the project are Societe Francaise d'Etudes et de Realisations de Transports Urbains (Sofretu), the engineering subsidiary of the Regi Autonome des Transports Parisiens (RATP) in a joint consultancy venture with Arab Consulting Engineers.

Contractors are a Franco-Egyptian joint venture, Inter-infra-Arabco, combining 17 French companies and two Egyptian companies led by Arab Contractors of Osman Ahmed Osman who also builds most of Cairo's flyovers.

Tenders worth £13m for most of the second phase of the project had to be submitted by April 11. Tenders are for the new stations, and the electrification of the existing northern and southern lines.

The modernisation entails more than just upgrading the existing lines. The concept behind the rapid transport system is the frequency with which the trains operate. At present recurring power cuts pile up trains like an accordion so they come one after the other when power is restored.

The Egyptians have already undertaken modernising of the southern line from Bab el Louk in central Cairo to Helwan at a cost of E£130m (£90m).



Teeming Cairo's skyline: serious problems beneath the surface

India accepts more Russian imports but imbalance remains

BY K. K. SHARMA IN NEW DELHI

TALKS BETWEEN Indian and Russian trade delegations last week failed to end a crisis in economic relations between the two countries even though India has agreed to import an additional 250,000 tonnes of crude from the Soviets this year.

The additional crude is worth just over $60m whereas the heavy adverse trade deficit against Russia—the source of the crisis—was $668m last year. If the bilateral trade plan involving a record turnover of $3.6bn in 1983 is to be carried through, Russia will have to accept the Indian offer of "technical credits" of over $500m.

The Russian reluctance to do this is what has led to impasse in the so-called barter or rupee trade that has been carried on for the past two decades. Over this period, India has become steadily self-sufficient in capital goods and machinery that Russia used to supply or now prefers western sources instead.

The decision to buy another 250,000 tonnes of crude—in addition to the 2.5m tonnes and 2.3m tonnes of refined products that India has already contracted for 1983—only highlights the nature of the critical imbalance in trade.

Crude and petroleum products, which became part of Indo-Soviet trade just five years ago, now constitutes more than 80 per cent of Russian exports to India. After four days of talks on identifying possible imports from Russia, India's largest single trading partner, it has been possible to arrive at the decision to increase purchases of the same item. Over the years, the roles have been reversed—Russia is now a supplier mainly of raw materials and India is in a position to send back processed goods.

An Indian business team is to visit Russia soon and the Soviets are to arrange an exhibition of their machinery in this country. But it is apparent to both that this will have only a marginal impact on the problem—India just has not further need of Soviet manufactures in their present state of technology.

The turnover in 1982 is estimated at $3.1bn and Russia had a deficit of $668m.

The two countries, it was announced after the talks, agreed that their trade should increase in a "balanced manner," which means that India will have to import more. The problem lies in finding the goods for the purpose.

No further talks to solve the immediate problem are planned although it was announced that talks will be held as usual later in the year to draw up bilateral trade plans for 1984.

● Escorts, the Indian Light Engineering Company, and Grindlays Bank of UK have signed an agreement on financing India's first floating drydock to be built by Ishikawajima-Harima Heavy Industries of Japan. The drydock will cost $22m and Grindlays have raised a loan of $16m for it from the Eurocurrency markets. Funds are also to be contributed by the Punjab National Bank in London and Citibank in Singapore.

UK presses Romania on small debts

By David Buchan

THE UK GOVERNMENT is pressing Romania to pay its persistent trading debts to smaller British companies, while acknowledging that the Romanians have virtually cleared their arrears to larger UK companies with payments in goods and commodities.

This emerged in talks in London last week in the context of the Anglo-Romanian joint commission on trade and economic co-operation, led on the Romanian side by Mr Aurel Doma, the deputy foreign minister. Mr Doma also saw Mr Francis Pym, the Foreign Secretary, Mr Peter Rees, the Trade Minister, officials at the energy ministry and various UK company executives.

Romania's chronic arrears on trade payments over the past two years has been a source of friction with not only western companies and governments, but also the International Monetary Fund. In giving the go-ahead last month for Romania to start drawing on its 1983 standby credit tranche of $400m, the IMF made it clear to Bucharest that it must further reduce trade debt arrears, if it wants to continue drawing on the standby credit uninterrupted.

Mr Doma told British ministers that, with a $1.6bn hard currency trade surplus in prospect, Romania's trade relations should improve this year. But Romania has a severe imbalance with Britain, with exports of only £51.5m last year compared to imports from the UK of £115.3m.

Guinness Peat Aviation in $60m U.S. deal

By Michael Donne, Aerospace Correspondent

GUINNESS Peat Aviation, the Shannon-based aircraft leasing and trading group, has arranged a $60m (£40m) deal to supply America West Airlines of Phoenix, Arizona, with seven Boeing 737-200 jets.

The deal, arranged through Guinness Peat's U.S. subsidiary, GPA Inc., covers aircraft supply, maintenance, technical and training support for America West.

This is a new U.S. airline which is due to start operations in August, with routes based on Phoenix and serving the South-West U.S. and California.

GPA will provide two of the aircraft from its own current fleet, the other five coming from Pacific Western Airlines of Calgary, Alberta.

Mr T. A. Ryan, deputy chairman and chief executive of Guinness Peat Aviation, commented: "GPA continues to grow in accordance with plan.

"Profit for fiscal 1983, which ended March 31, is more than 30 per cent up on the I£5.1m we earned in the previous year and we expect a similar increase this year.

"In order to finance the even more rapid growth we believe possible, we are considering various options with our investment banking advisers. Logically, these include the possibility of a major private placement and/or a public flotation."

SHIPPING REPORT

Confidence continues

BY OUR INDUSTRIAL STAFF

THE MOOD of slightly greater confidence which has recently been evident in the shipping market continued last week.

Shipbrokers E. A. Gibson in its tanker market report, said this week had seen more confidence and an increase in demand covering all the main trading areas now that the oil price structure seemed to have become relatively stable.

Most of the benefit of an increase in the number of cargoes placed on the market went to smaller vessels, with larger ships continuing to find the going more difficult.

"The main loading area to star was West Africa, where there was almost a rush for early tonnage," said Gibson. Owners were able to obtain premium rates, with cargoes paying worldscale 69 for 70,000 tons to the Continent or European Mediterranean and worldscale 90 for 65,000 tons to Spain.

Galbraith Wrightson supports the evidence of greater activity in West Africa, but points out that the cargoes quoted have been rather small. "Part cargoes continue to be almost the only method of chartering these days and even 120,000 tonners are accepting just about 50 per cent of their total intake.

More inquiries are reported from the Arabian Gulf, but these again tend to be restricted to smaller tankers. Galbraith says that last week was relatively quiet on the ship sales market—at least so far as definite sales were concerned—"but the underlying tendency still remains firm...."

World Economic Indicators

FOREIGN EXCHANGE RESERVES INDICES

(U.S.$m)

	Feb. '83	Jan. '83	Dec. '82	Feb. '82
U.S.	9,220	9,490	10,218	9,274
UK	9,108	8,157	9,673	12,291
W. Germany	42,486	40,648	39,620	36,936
Japan	19,566	19,497	19,172	24,480
Italy	13,432	13,800	12,629	16,509
Netherlands	9,945	9,430	8,662	7,448
Belgium	3,173	3,219	2,824	2,967
	Jan. '83	Dec. '82	Nov. '82	Jan. '82
France	17,569	14,594	11,454	18,295

Source: IMF

STATISTICAL TRENDS: WORLD TRADE

Lack of demand hits developing countries

CHANGES in world trade levels are related to world demand and output, and the recent decreases in overall volume of trade are expected to be reversed only as recessionary effects abate and demand picks up.

The UK National Institute of Economic and Social Research believes the volume of world trade will rise this year by 1 per cent and by 3 per cent in 1984. The latest Phillips and Drew World Investment Review suggests trade in 1983 will be virtually static with a pick-up in 1984 of 2 per cent. It expects the largest decreases to be by the Organisation of Petroleum Exporting Countries (Opec) and the largest increases to come from the countries in the Organisation for Economic Co-operation and Development (OECD).

While 56 per cent of world exports are manufacturered products, and half of those are engineering products, they comprise about three-quarters of industrial countries' exports. Exports of manufactures by non-oil developing countries (NODCs) amount to some 40 per cent of their total exports.

Commentary by Our Economics Staff; data analysis by Financial Times Statistics Unit; charts and graphs by Financial Times Charts Department.

Of the seven major exporters of manufactured goods, Japan showed the largest increase in the volume of exports in the six years from 1975, followed by Italy and Canada. In terms of relative competitiveness of the seven countries, the UK has been the least so, particularly in terms of relative unit labour costs.

Primary products make up over 40 per cent of world exports. The developing countries are especially dependent on them and they contribute 60 per cent to NODC's exports. The volume of the exports has been severely affected by the continuing low level of industrial countries' demand.

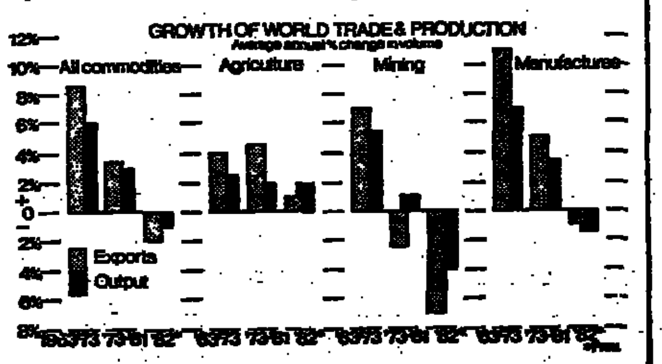
Falling commodity product prices, and therefore incomes and balance of payments difficulties, have forced a reduction in the NODCs' import volume by an estimated 3 per cent in 1982, according to Capel-Cure Myers' recent Outlook for Commodity Prices.

Phillips and Drew is slightly more optimistic than the OECD for the trade and services balances of the NODCs. Its review expects a significant improvement in the trade deficit to −$25bn in 1984, and in the services deficit to −$23bn, brought about by a reduction in interest rates and therefore costs on debts outstanding.

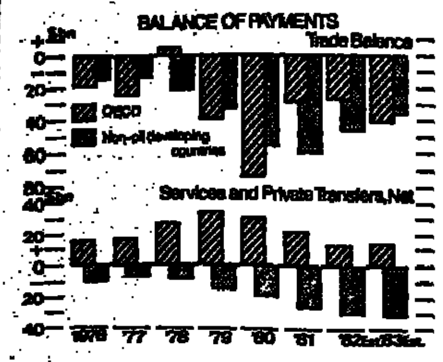
Overall, the fall in commodity prices continued last year. Contributing factors, other than low levels of economic activity, were good harvests and high interest rates, the effect of which was a reduction in consumers' stocks and an increase in producers' already fairly high stocks.

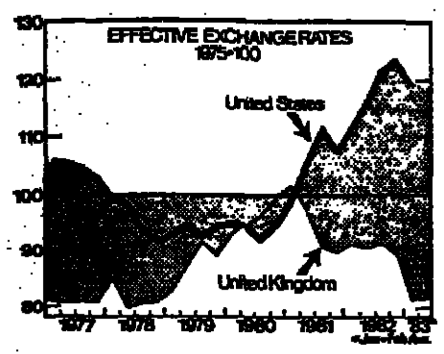
Although the OECD countries have gained the most from the fall in commodity prices, two-thirds of those countries' commodity imports come from within the OECD. For net commodity exporters, such as Australia and Canada, the falling commodity prices have had a major adverse effect on their balance of payments.

However, the impact has been considerably greater for the lower income NODCs, particularly those which rely on most of their foreign exchange earnings from a single commodity. For example, copper accounts for 94 per cent of Zambia's exports, and aluminium/bauxite accounts for 78 per cent of Jamaica's exports.



General



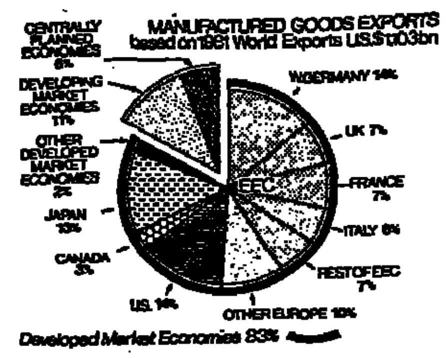


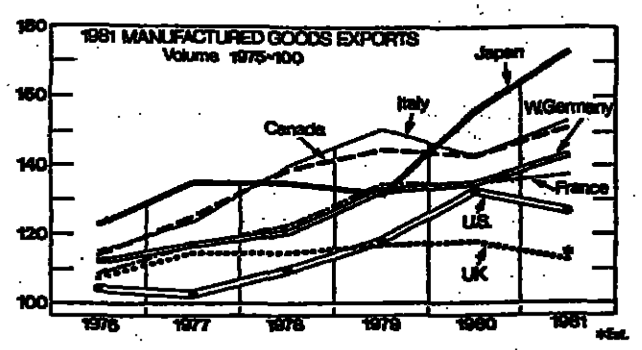
Manufactures

WORLD EXPORTS OF MANUFACTURED PRODUCTS ($bn)

	1973	1980	1981
Iron and steel	28.5	76.2	74.0
Chemicals	41.9	153.0	148.5
Other semi-manufactures	29.0	92.7	88.5
Engineering products	188.0	592.0	615.0
Specialised industry mach'y.	52.5	159.0	160.5
Office & telecom. equip.	17.2	59.6	62.0
Road motor vehicles	41.0	127.4	129.5
Other mach'y. & trans. equip.	62.0	198.7	211.0
Household appliances	15.3	48.3	52.0
Textiles	23.4	55.4	53.5
Clothing	12.4	40.2	41.0
Other consumer goods	24.3	83.7	82.5
Total manufactures	347.5	1,094.1	1,103.0
% of world exports	60%	55%	56%

Source: GATT International Trade 81/82





COMPETITIVE POSITIONS IN MANUFACTURING

	Relative unit labour costs 1970=100					Relative export prices 1970=100				
	1979	1980	1981	1982*	1983*	1979	1980	1981	1982*	1983*
U.S.	64	65	74	82	86	86	85	99	109	114
Canada	83	85	89	97	101	78	81	81	79	79
Japan	136	116	126	111	101	107	101	107	99	93
France	99	106	105	103	102	99	100	95	93	95
Germany	120	118	110	109	107	113	107	99	100	99
Italy	93	92	90	91	100	96	102	100	100	102
UK	114	142	143	134	134	113	125	120	113	112

* Estimates.

Source: OECD Economic Outlook, December 1982

1981 EXPORTS OF FINISHED MOTOR VEHICLES AND PARTS ($bn)

Origin / Destination	U.S.	Japan	EEC (9)	Other W. Europe
North America	9.9	13.7	5.5	0.8
Japan	0.2		0.3	
EEC (9)	1.4	2.1	29.2	3.3
Other W. Europe	0.3	1.4	8.4	1.3
Devel'p'g countries	4.3	10.1	14.7	1.9
Opec	2.4	4.9	8.0	0.8
Other	3.9	5.3	6.1	0.7
World	19.1	31.1	59.9	7.4
(in 1979)	(16.9)	(20.1)	(62.1)	(6.6)

Source: GATT International Trade 81/82

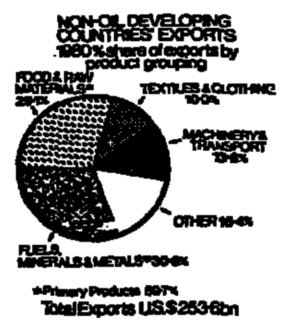
Primary products

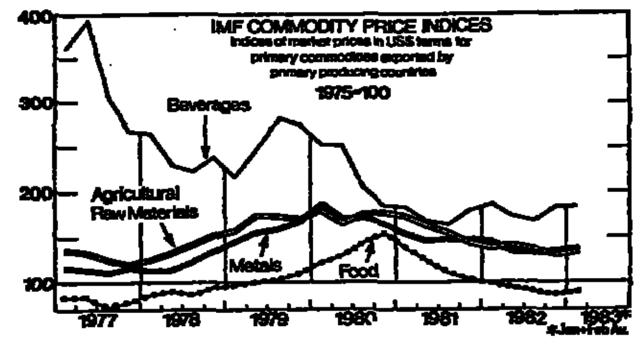
WORLD EXPORTS OF PRIMARY PRODUCTS

$bn

	1973	1980	1981
Food	86.4	222.0	223.0
Raw materials	34.6	75.3	68.0
Ores and minerals	14.9	41.8	37.0
Fuels	63.5	469.8	463.0
Non-ferrous metals	17.3	53.2	41.0
Total primary products	216.7	862.1	832.0
% of world exports	38%	43%	42%

Source: GATT International Trade 81/82





Metals

WORLD METAL EXPORTS

1,000 tonnes

	Aluminium unwrought	Copper refined	Lead refined	Zinc slab
1977	3,165.0	2,708.3	827.9	1,604.4
1978	3,563.9	2,714.1	997.6	1,716.8
1979	3,436.7	2,672.7	969.4	1,598.9
1980	4,126.8	3,000.6	1,091.6	1,693.1
1981	4,076.4	2,661.7	927.1	1,699.5

Source: World Bureau of Metal Statistics

MAIN METAL TRADERS

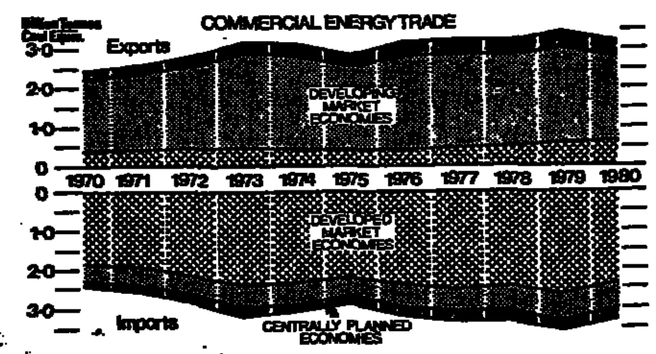
1,000 tonnes

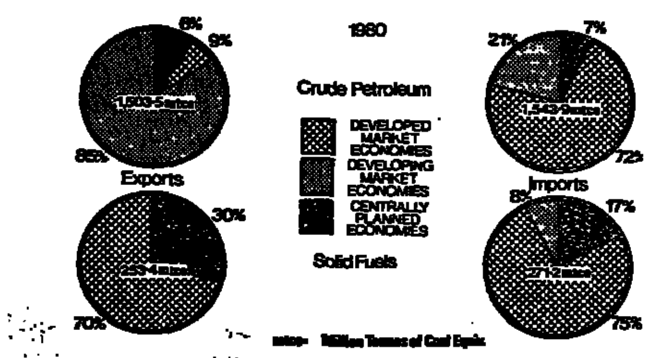
1981	Exports	Imports	1981	Exports	Imports
Aluminium, unwrought			Lead, refined		
Canada	725.5	14.3	Australia	170.5	
Norway	524.0	14.8	Canada	119.8*	9.2*
Netherlands	352.1	161.3	UK	98.0	51.3
Japan		1,129.3	Italy		118.9
U.S.		643.9	U.S.		103.7
W. Germany		500,0	W. Germany		67.5
Copper, refined			Zinc, slab		
Chile	752.1		Canada	453.5	8.1
Zambia	555.8		Australia	176.1	
Belgium	282.5	278.3	Netherlands	140.4	14.5
France		388.5	U.S.		602.6
W. Germany		381.7	W. Germany		119.3
U.S.		354.9	UK		112.7

* Includes shot.

Source: World Bureau of Metal Statistics

Energy





ENERGY REVIEW

Aker charts a new course in deeper waters

BY RAY DAFTER

NO-ONE can be more relieved to see the stabilisation of international oil prices than Karl Glad, president of the Norwegian Aker group.

During the past eight months he, more than anyone, has been responsible for transforming the shipbuilding and industrial group under a drastic corporate survival plan.

Businesses have been sold off *right, left and centre* reducing turnover from between NKr 3bn and NKr 4bn in recent years to nearer NKr 1.5bn to 2bn ($210m to $280m). Staff which numbered 12,000 in 1979 and *10,000 last year are now down* to 5,000 and could soon be no more than 4,000.

As a result of all this Aker has become a smaller company with a single, fixed idea: to concentrate its engineering, fabrication, contracting and technical services on one market—the offshore oil and gas sector.

Which is why Mr Glad has been anxiously tracking the downward movement in oil prices. The slide seems to have been arrested, at least temporarily. But it could easily have developed into a pricing collapse which would have rendered uneconomic most of the necessarily expensive offshore oil and gas projects. A sharp drop in prices can still not be ruled out.

Mr Glad personifies the image that the new-look Aker is trying to project. Aged 45 he is slim and clearly fit. A long-distance skier and runner he finished the recent London Marathon in a time of 3 hours 20 minutes and then complained he had not been faster.

The fact that Mr Glad likes quick results is shown by the speed with which the Aker board has tackled its deep-seated business problems. In recent years Aker, 75 per cent owned by the Fred. Olsen Group, has been consistently making hefty deficits. Operating losses before extraordinary items were NKr 67.6m in 1979, NKr 117.5m in 1980 and NKr 60m in 1981.

Last summer, armed with a McKinsey management report on Aker, Mr Glad shut himself away in a mountain hideaway and drew up a corporate plan. He took the view that Aker could no longer afford to stay in the depressed shipbuilding industry, a market it had served for some 140 years. Between 1978 and 1981 Aker's shipyard losses totalled NKr 400m. He also concluded that the group had no future in the general industrial sector.

Instead, it was decided, Aker would concentrate on its profitable offshore businesses—preparing studies of oil field development projects, fabricating production equipment including platforms, undertaking electrical and mechanical contracting work; and providing offshore services for operators of oil and gas fields.

The strategy was adopted at a lengthy board meeting on August 24 last year. It was then, said Mr Glad, that the board took the decision to try and sell the unwanted businesses as going concerns rather than to *shut them down and strip out* the assets.

Since then the group has been involved in one of the biggest upheavals experienced in Norwegian industry. So far no less than nine businesses have been sold.

Aker reckons that as a result of selling these businesses and untangling their associated debt problems it will end up with a cash deficit of NKr 50m. On the other hand it expects to gain some NKr 250m from the separate sale of properties.

But most important, according to Mr Glad, is the fact that as a result of its reorganisation Aker should break even this year and make a "nice profit" in 1984. If the group had maintained its shipbuilding bias *the results could have been* disastrous, he went on.

The switch in direction from shipbuilding to offshore supplies and servicing has forced a change in corporate psychology. "When you sell ships you are selling a product to a buyer who is happy to specify a design and performance and leave you to get on with the job. He will not interfere as you are making it," said Mr Glad.

More trouble feared as BL prepares for return

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

TROUBLE could flare again at BL's *Cowley factory, regardless of the* expected vote tomorrow by 5,000 workers in the assembly plant to end their four-week strike.

Even if workers accept the company's peace formula the row over management plans to abolish "cleaning-up time" is by no means resolved, Mr David Buckle, Oxford district secretary of the Transport and General Workers' Union (TGWU), warned last night.

He maintained that the 17 hours of weekend talks between top executives and national union leaders had "ended the days of BL imposing their decisions." He said the management would now have "to consult the workforce and rethink its entire industrial relations strategy."

Austin Rover has offered a four-week "cooling-off" period so that management and unions within the assembly plant can discuss the productivity measures – *including* the abolition of cleaning-up time – necessary to qualify for an increase in the ceiling on bonus earnings from £18.75 a week to £30.

Failure to reach agreement by May 27 would lead to another national level meeting, after which the company will be free to impose the changes unilaterally and the unions could take renewed industrial action. Local union leaders favour "a *campaign of passive resistance*" rather than another walkout.

Mr Terry Duffy

However the grievances of the 5,000 workers in the assembly facto*ry are resolved, a similar dispute is* brewing in the neighbouring Cowley body plant. There, management is demanding an even bigger cut in *cleaning-up time – 10 minutes a day* rather than six.

Before the assembly workers walked out body plant shop stewards were urging members to ignore the management instruction and continue to wash as normal.

The Austin Rover management attitude, once production resumes as expected later this week, will be crucial to maintaining the peace at Cowley. However, the company made *clear last* night that there was no question of restoring the former power of shop stewards. There would be "nothing special" about the normal process of consulting workers about productivity changes.

An important element of the management peace formula is the proposed setting up of a four-man forum to investigate allegations about the "dictatorial" attitude of management members. Two senior management men and two full-time union officials will be named shortly and will report to top management and national union leaders.

The peace formula thrashed out by Mr Harold Musgrove, Austin Rover's chairman, Mr Moss Evans, the TGWU general secretary, and Mr Terry Duffy, president of the Amalgamated Union of Engineering Workers, falls short of the aspirations of both sides, but it clearly formed the best compromise to open the way for an early return to work.

The unions will make no recommendation to the mass meeting but acceptance seems likely.

Upswing in UK business activity

By Jeremy Stone

MORE GROUND for optimism over Britain's emergence from the recession was provided by the Government's latest set of cyclical indicators, pointing to a sustained upswing in business activity.

At the same time, estimated consumer spending for the first quarter of 1983 confirmed that consumption was still running at the high level of the pre-Christmas period, roughly 3 per cent higher than in the first quarter of 1982.

The longer leading indicator, which is intended to pick up increases in activity about a year in advance, rose in March for the 13th successive month. The lagging indicator, which aims to discern improvements roughly 10 months after they have occurred, is also now showing an increase after some months of little change.

The main influences on the longer leading indicator recently have been the rise in share prices and reports of business optimism (which only reflect beliefs about the upward trend in output)

Renold to declare further redundancies

BY NICK GARNETT, NORTHERN CORRESPONDENT

RENOLD, the power transmission company which has already cut its workforce from 12,000 to around 7,000 in the past two years, is about to announce a major restructuring programme involving significant capacity cuts and further redundancies.

The company, which has suffered acutely as a result of falling industrial demand, has been under increasing pressure from its bankers to cut losses and put itself on a firmer footing. Consultants have been spending time at some of its sites examining restructuring alternatives.

Although the company has not indicated as yet the scope of the cuts or where they will fall, some union officials believe the company's operations in Bradford, Yorkshire, might suffer most.

The restructuring may involve work transfer to improve the viability of some of Renold's sites.

The company, which has its traditional strength in chain manufacturing, made a pre-tax loss of £1.7m on total sales of £139.5m in the year to June 1982.

Much of its labour is employed in the power transmission division. *This has sites in Manchester*, Cardiff, Burton-on-Trent and the Croft gearworks at Bradford. The Holroyd gearworks at Rochdale is also *part of that division and could be* the recipient of a work transfer.

Renold has been introducing new products, including a new range of hydraulic motors and motor controllers, and won the order for the chain drives on the BL Maestro engine.

Midlands cargo deal

FINANCIAL TIMES REPORTER

THE EAST Midlands Airport at Castle Donington, near Nottingham, has beaten off competition to land a multi-million-pound deal which could make it the largest provincial cargo airport in the UK.

A major Hong Kong-based air cargo group has decided to set up the headquarters of a major European network at Castle Donington. The decision could mean the building of a new runway to allow direct cargo flights from North America to the East Midlands.

The Hong Kong company operat*ing the service is DHL, who employ* 10,000 people worldwide and deliver 15m consignments annually.

Textile spending surpasses other consumer sectors

BY ANTHONY MORETON, TEXTILES CORRESPONDENT

SPENDING on clothes and household textiles such as sheets, pillowcases and towels rose at a faster rate last year than other consumer spending, according to the latest figures from the Department of Trade.

This rise was not reflected in an increase in output, though, which indicates that manufacturers were still running down their stocks to meet rising demand.

Recently, some leading figures in the industry have been expressing *optimistic noises about the state of* trade. Mr Donald Hanson, chief executive of Illingworth Morris, one of the largest woollen concerns in the world, has suggested that a "turning point" had been reached for wool.

Mr Alan Clough, president of the Confederation of British Wool Textiles, has seen a "slight turn" in the wool trade.

The stronger feeling in the British clothing retail sector has also been seen abroad. Reports from Italy suggest that sales in January were the highest for several months, with high-value top coats selling particularly well.

Elsewhere in Europe, Belgium has seen stronger demand, especially for woollen clothes and the carpet *industry in Switzerland also* appears to be reasonably strong.

The best performance last year was in France, where a 4 per cent rise in sales of textiles and clothing was recorded, although most of the rise came in the first half of the year.

Inflation caused cutbacks after July and the squeeze on consumers' incomes applied by the French Government led to January sales promotions being brought forward into December.

Engineers may act over shipyard job cutbacks

BY DAVID GOODHART

A WARNING of industrial action in British Shipbuilders to resist the latest round of redundancies has come from the national conference of the Amalgamated Union of Engineering Workers (AUEW).

Mr George Arnold, AUEW executive member, said that BS appears to have cut the number of redundancies required by the end of this year from the 9,000 figure mooted last month to 7,000. But, he added: "We have reached a critical position and I think there will now be a confrontation."

More than 2,000 voluntary redundancies were agreed in March but Mr Arnold said there would be few voluntary candidates for redundancy left. The union's Shipbuilding Negotiating Committee has a firm policy of resistance to compulsory redundancy, which will be reiterated at a delegate conference on May 3.

The conference may also call for industrial action. Mr David Cooper, an AUEW delegate from the Govan yard on the Clyde, said: "We are quite prepared to carry out a policy of occupation if we get support from other yards." Support from the more successful military yards such as Yarrow is, however, doubtful.

The unions are also resisting a proposed wage freeze from BS. Mr Arnold was highly critical of Mr Robert Atkinson, BS chairman, for not revealing to the unions details of an emergency plan for the shipyards that he has submitted to the Government. It is believed to include a pledge of a pay freeze and further redundancies in return for emergency financial backing.

A motion calling for a ballot vote of the AUEW membership in BS on the principle of introducing ballot votes before any agreements are concluded with BS, was narrowly defeated.

BASE LENDING RATES

A.B.N. Bank	10 %	Grindlays Bank	‡10 %
Al Baraka International	10 %	■ Guinness Mahon	10 %
Allied Irish Bank	10 %	■ Hambros Bank	10 %
Amro Bank	10 %	Heritable & Gen. Trust	10 %
Henry Ansbacher	10 %	■ Hill Samuel	§10 %
Arbuthnot Latham	10 %	C. Hoare & Co.	†10 %
Armco Trust Ltd.	10 %	Hongkong & Shanghai	10 %
Associates Cap. Corp.	10 %	Kingsnorth Trust Ltd.	12 %
Banco de Bilbao	10 %	Knowsley & Co. Ltd.	10½%
Bank Hapoalim BM	10 %	Lloyds Bank	10 %
BCCI	10 %	Mallinhall Limited	10 %
Bank of Ireland	10 %	Edward Manson & Co.	11½%
Bank Leumi (UK) plc	10 %	Midland Bank	10 %
Bank of Cyprus	10 %	■ Morgan Grenfell	10 %
Bank Street Sec. Ltd.	10½%	National Westminster	10 %
Banque Belge Ltd.	10 %	Norwich Gen. Tst.	10 %
Banque du Rhone	11 %	P. S. Refson & Co.	10 %
Barclays Bank	10 %	Roxburghe Guarantee	10½%
Beneficial Trust Ltd.	11 %	Royal Trust Co. Canada	10 %
Bremar Holdings Ltd.	11 %	Slavenburg's Bank	10 %
Brit. Bank of Mid. East	10 %	Standard Chartered	‖10 %
■ Brown Shipley	10¼%	Trade Dev. Bank	10 %
Canada Perm't Trust	11 %	Trustee Savings Bank	10 %
Castle Court Trust Ltd.	10½%	TCB	10 %
Cayzer Ltd.	10 %	United Bank of Kuwait	10 %
Cedar Holdings	10 %	Volkskas Intl. Ltd.	10 %
■ Charterhouse Japhet	10 %	Westpac Banking Corp.	10 %
Choulartons	11 %	Whiteaway Laidlaw	10½%
Citibank Savings	¶10 %	Williams & Glyn's	10 %
Clydesdale Bank	10 %	Wintrust Secs. Ltd.	10 %
C. E. Coates	10½%	Yorkshire Bank	10 %
Comm. Bk. of N. East	10 %		
Consolidated Credits	10½%		
Co-operative Bank	*10 %		
The Cyprus Popular Bk.	10 %		
Duncan Lawrie	10 %		
E. T. Trust	10½%		
Exeter Trust Ltd.	11 %		
First Nat. Fin. Corp.	13 %		
First Nat. Secs. Ltd.	13 %		
Robert Fraser	10½%		

■ Members of the Accepting Houses Committee.
* 7-day deposits 6.75%, 1-month 7.00%. Short-term £8,000/12-months 8.35%.
† 7-day deposits on sums of under £10,000 6¾%, £10,000 up to £50,000 7¼%, £50,000 and over 8%.
‡ Call deposits £1,000 and over 6¾%.
§ 21-day deposits over £1,000 7¼%.
‖ Demand deposits 6¾%.
¶ Mortgage base rate.

EEC farm budget will go bust, MPs told

By Kevin Brown, Parliamentary Correspondent

THE EEC agriculture budget will go bust by more than £1bn if the European Commission's farm price proposals are accepted, Mr Norman Buchan, the Shadow Agriculture Minister, claimed in the House of Commons.

Agriculture Minister Mr Peter Walker said the proposals put to farm ministers in Luxembourg on Wednesday would mean average UK increases in farm product prices of 3.8 per cent. That would add 0.1 per cent to the retail price index.

Mr Walker confirmed that Britain has a veto over changes in the settlement because the Commission's proposals can be amended by a unanimous vote of the Council of Ministers.

The decision was delayed because of West German unease at a parallel green currency realignment, which would reduce German price increases to an average one per cent, he said.

It was clear, however, that the ten farm ministers would accept the Commission's proposals at their next meeting on Wednesday.

Mr Buchan said the Commission's increase of 6 per cent in the agricultural budget would not be enough to pay for the price rises.

"The budget is going to go bust," he claimed. The deficit would be between £1bn and £2bn, which would have to be paid for either by an increase in the 1 per cent VAT limit on Community financing, or by an increase in import levies. Either would hit the taxpayer and consumer.

He accused the Government of toying with the possibility of a June election because of the effect tax increases would have on its popularity.

Mr Walker told him: "The total food price increase from these proposals over a year are almost equal to the total food price increases per week during the last Labour Government."

Mr Walker also announced the Commission's intention to make 2m to 3m tonnes of cereal stocks available from stores to EEC pig farmers.

FULL INVESTIGATION INTO GUARANTEE SCHEME PLANNED

Lloyd's mounts warranty probe

BY JOHN MOORE, CITY CORRESPONDENT

LLOYD'S of London, the insurance market, is mounting "a full and formal investigation" into a controversial warranty scheme offered by underwriters to manufacturers and retailers or purchasers of electrical goods.

The investigation will be of "a rigorous and comprehensive character" Lloyd's said after preliminary investigations suggested that there *is a case for more formal inquiries.*

Manufacturers and retailers have often extended the normal manufacturer's guarantee of one year to four years having obtained the appropriate insurance cover.

Multi-Guarantee, a company based in Maidstone, Kent, specialised in the marketing and management of what is described as "the extended warranty scheme." It directed its insurance business through Cambell Roberts, not a Lloyd's broker, who in turn passed it through Robert Morris Bray, a Lloyd's broker which transmitted the premiums on the business to Lloyd's underwriters.

Lloyd's underwriters found that the scheme was operating in a way which had not been envisaged. Documents sent back to underwriters had been changed and the policy had been altered.

Lloyd's internal inquiry is to be headed by Mr R Whewell of Peat Marwick, Mitchell and Co., the accountants.

● Officers of two associations of members of Lloyd's have agreed that they should merge their two groups to form a combined entity of more than 1,000 members.

The two associations have operated in fundamentally different ways. The Association of External Members of Lloyd's, regarded by the Lloyd's community as *the more militant* of the two, insisted that only those that pledged their capital to allow the Lloyd's market to function but who did not work at Lloyd's could belong to their association. Those that worked at Lloyd's professionally could not become members.

A rival association – the Association of Members of Lloyd's – permitted all members of the market to join the association.

Finance subsidiary loss hits profits at Co-operative Bank

BY ALAN FRIEDMAN, BANKING CORRESPONDENT

THE CO-OPERATIVE Bank, a pioneer in the personal banking market, had one of its worst years in 1982.

Group operating profit tumbled by nearly 60 per cent to £1.69m and bad debt provisions were more than doubled in 1982 to just below £8m.

The poor 1982 performance of Co-operative Bank resulted partly from a £2.3m loss recorded by the bank's finance house subsidiary, First Co-operative Finance. This followed a £1.7m loss at the finance house in 1981.

Mr Peter Paxton, chairman of Co-op Bank, termed the finance house, results "an unexpectedly severe loss" and said it was a reflection of "the depth of the current economic and business depression."

Mr Paxton said the finance house losses *stemmed partly from loans* to buyers of motor cars and that these had also figured prominently in the group's bad debt provisions. He said the group had changed the management of the finance house and was confident "the thing is coming round."

The Co-op Bank is also being hit by costs associated with its transition away from the Barclaycard processing service to its own in-house credit card processing system. Because the contract with Barclays Bank cannot be terminated *until next year, Co-op expects to* pay about £600,000 to Barclaycard this year.

Total bank assets rose from £837m to £977m and retained earnings stood at £2m, following a £317,000 tax credit.

Tory funding angers Labour

By David Goodhart

THE Conservative Party will have five times as much money as the Labour Party to fight the next election, said Mr Jim Mortimer, Labour's general secretary, yesterday.

Mr Mortimer, speaking at the annual conference of the Union of Shop, Distributive and Allied Workers, *said Labour would* have about £2.5m to fight the election compared with estimates of between £11m and £20m for the Conservatives.

Mr Mortimer said it was an indication of the Conservatives' fear of Labour that they now intended to restrict its finances even further by legislating on trade union political contributions. He added, however, that Labour would not fight an abusive campaign

North Sea oil groups agree drilling pact

BY RICHARD JOHNS

OCCIDENTAL Petroleum and Thomson North Sea have reached agreement with Texaco whereby they could earn a half share in the licence for Block 15/23A on the UK continental shelf through drilling three delineation wells.

Completion of these wells, under the "farm-in" arrangement, is expected to give Occidental an equity share of 38.75 per cent and Thomson 11.25 per cent in the promising "Galaxy" prospect.

Five wells have been drilled there so far, three of which were discoveries giving test flow rates ranging from 1,000 to 4,000 barrels a day.

The delineation drilling programme will be carried out using a rig or rigs presently under contract to Texaco. The work is to start in the next few weeks.

For Occidental and Thomson the prospect is particularly attractive because it is near their Piper field which is connected to the Flotta terminal in the Orkneys and is producing at a rate of 200,000 barrels a day. Their partners in that operation are Allied Chemical and Getty.

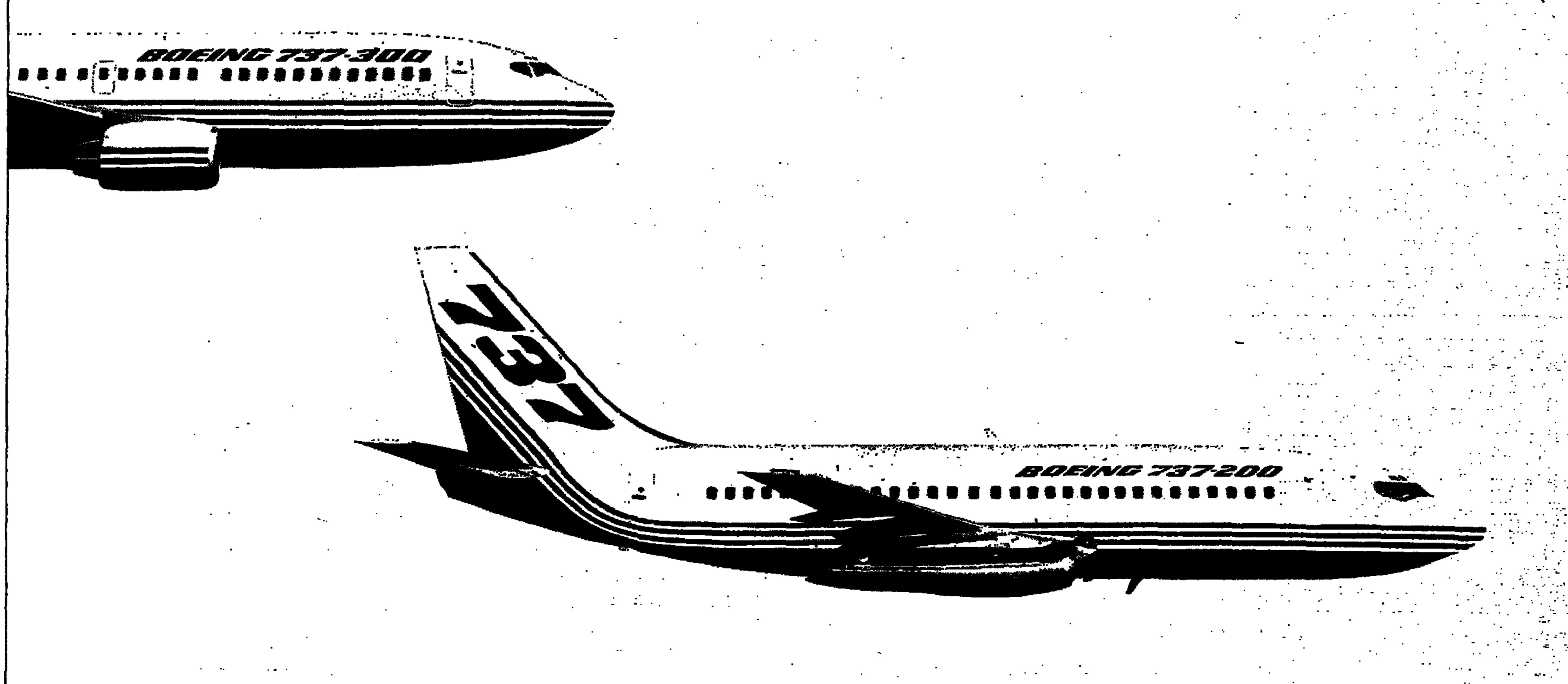
Toyota puts up prices

By John Griffiths, Motoring Correspondent

TOYOTA (GB) is the latest manufacturer to raise its UK car prices. They are to go up by between 3 and 5 per cent from May 1.

The 3 per cent increase applies to the Celica coupe range and the recently launched Tercel range of cars. All others, including light commercial vehicles, will go up by 5 per cent with the exception of the new Hi-Ace van, Land Cruiser and Camry range, whose recent launch prices are unchanged.

Toyota attributes the increase entirely to the 30 per cent weakening of sterling against the Japanese yen since last autumn.



Half-price computers for schools

By Raymond Snoddy

PRIME COMPUTER, the U.S. minicomputer manufacturer, has launched an educational programme in the UK involving large discounts for schools and colleges. The aim is to bring the minicomputer within the range of educational establishments which have in the past been able to afford only microcomputers.

Prime believes the discounts could total £4m during the next 12 months if its estimates of sales under its education programme prove correct. All non-profit schools, colleges, polytechnics, universities and research councils are eligible.

Under its Educational Support Programme, Prime is cutting the price of 100 32-bit superminis by half. The complete package of computer software, peripherals and training, normally costing £40,860, will be available for £19,830 for the next six months.

Prime, which had total revenues of $435m in 1982, is also offering discounts of around 50 per cent on its computer system used for teaching on three-year or four-year degree courses at universities and polytechnics.

Simpler state data sought

AN INVESTIGATION into simplifying the financial information published by the UK Government starts today. Data on the £120bn worth of public spending has been described by the chairman of the House of Commons Public Accounts Committee as "so obscure that it is difficult to know what is happening."

Two UK unions plan merger

THE EXECUTIVE of the 7,000-member National Union of Blastfurnacemen (NUB) has agreed merger terms with the Amalgamated Union of Engineering Workers (AUEW). The plan, still to be approved by NUB members, has been described by the 1m strong AUEW as "a springboard for further developments within the UK steel industry."

COMBINING ENERGY TO CUT WASTE IN CITIES

Power-heat plans backed

BY RICHARD JOHNS

GOVERNMENT backing for schemes to combine the generation of power and heat for inner cities of Britain's major conurbations is favoured by the House of Commons Select Committee on Energy.

The committee's recommendations are based on two main considerations:

- About 40 per cent of fuel burned by the electricity supply industry is wasted and could be distributed in insulated pipes from the power stations to domestic and commercial users.
- The belief that "economically and strategically it would be extremely risky" for the UK to continue to rely on natural gas and oil for its supply of residential, commercial and industrial heating.

Of the options available, district heating based on combined heat and power (CHP/DH) is the best "when economics, comfort, fuel efficiency and long-term environmental benefits are taken into account," the committee says in its report.

It accepts the conclusion of the feasibility study by consultants W.S. Atkins, commissioned by the Energy Department, that CHP/DH schemes could be economic, on the basis of a 5 per cent real rate of return, in seven of the nine cities surveyed.

Energy Secretary Mr Nigel Lawson confirmed to the committee that a rate of return of 5 per cent would in general be considered economic, depending on the risks involved.

W. S. Atkins found that individual CHP/DH schemes could provide space heating 10 per cent more cheaply than any alternative source. Projects would involve an investment of £346m to £825m but 40 per cent of the cost on average would be incurred, anyway, in providing a necessary increase in generating capacity.

Of the cities studied, Belfast was considered to give the best rate of return, while only Liverpool and Sheffield would fail to yield one of 5 per cent. Other conurbations surveyed were London, Manchester, Tyneside, Glasgow, Edinburgh and Leicester.

The Government approves the CHP/DH concept in principle, but has so far shown less than an unequivocal enthusiasm; apparently because of the difficulties of implementing any such scheme and the scale of investment involved

The committee notes that projects could not be financed solely by the private sector because a real rate of return of 5-10 per cent would be too low for the risks involved.

These, in turn, depend largely on Government policy, not least through the financing arrangement for DHP/DH projects and the pricing of alternative methods of heating – in particular from the British Gas Corporation (BGC) and the electricity supply industry.

The BGC is criticised for "iniquitous practices" in penalising existing, efficient gas-supplied district heating plants, not associated with power generation, through charging them more per unit than heating to the same residences.

Energy costs could be 'reduced by a third'

BY RICHARD JOHNS

THE UK could achieve an energy saving of 100m tonnes of coal equivalent – or about a third of current consumption – through cost-effective conservation measures.

The total potential saving would be the equivalent of the output of any of the coal, gas or electricity industries, according to Mrs Jane Carter, who was until last summer head of the energy conservation division at the Department of Energy.

In a paper presented to the fifth annual Industrial Energy Conservation Technology Conference and Exhibition in Houston, she points out that "the role for energy efficiency will become even more important as indigenous production of oil and natural gas peak in the 1990s and decline thereafter."

The figure of a potential 100m tce saving is understood to have come from official estimates formulated at the Department of Energy.

The scope of the cost-effective saving considered possible is likely to give added stimulus to critics who charge the Government with being lukewarm, if not ambivalent, about investment in conservation as opposed to supply.

In particular, the Department of Energy recently came under fire from the House of Commons Select Committee for Energy for the lack of any clear commitment to conservation suggested by a paper submitted to the Sizewell 'B' nuclear power station inquiry.

Members contrasted it with the more positive attitude shown by an internal study by officers at the Department of Energy which was drawn up last year and leaked to the committee. It suggested that "there is an imbalance between the resources being devoted nationally to conservation and supply and the level of conservation investment is well below what it might be if the underlying economics were the only consideration and there were no institutional or other obstacles to investment."

Hearing on drug licence

By Carla Rapoport

A FIVE-DAY public hearing on the safety of Depo-Provera, an injectable contraceptive, opens in London today.

The UK's Committee on Safety of Medicines (CSM) recommended that the product be licensed for long-term contraception a year ago. This ruling was subsequently rejected by Mr Kenneth Clark, the Minister of Health.

The hearing is at the request of Upjohn, the drug's manufacturer. Depo-Provera has been approved in some 80 countries, including most of the EEC, with estimated annual sales of $15m.

Critics claim that it creates a variety of harmful effects, including increased risk of damage to the circulatory system, the development of masculine characteristics, weight changes, depression, menstrual changes and higher risk of cervical cancer.

UK NEWS

LONDON TRAIN SYSTEM PROPOSALS EXTENDED

Rail extension sought

BY HAZEL DUFFY, TRANSPORT CORRESPONDENT

A PLAN to extend proposals for a light railway system linking the City of London and the Docklands area is being canvassed among local residents by the Greater London Council. The aim is to end the rail link at Stratford instead of Mile End.

The appraisals may also include consideration of the type of rail system to be adopted for Docklands. Plans for a light railway were approved by the Government last autumn.

Existing proposals link Tower Hill on the eastern boundary of the City to the Isle of Dogs, which for centuries has housed the India Millwall group of docks. Here the line will divide travelling south to Cubitt Town and North to Mile End Road.

The choice of transport system may be limited by the fact that it is planned to run the final section of the northern route for about 900m along Mile End Road. It may be that some variation of the tram will be chosen although this is a term which does not find favour among transport specialists.

Improved transport links are vital if the planned development of Docklands into an area of offices, factories, and housing is to be realised.

The intention had been that London Transport extend the Jubilee Line east from Charing Cross to Fenchurch Street or Tower Hill and then east into Docklands, but this was abandoned finally in 1980 on cost grounds. The much cheaper light rail solution was approved by the Government last year.

It will be funded jointly by the GLC and the London Docklands Development Corporation (LDDC) and operated by London Transport. The system choice will be made by the clients, with the advice of LT an important ingredient in the final selection.

The current costing is put at £77m, and it is intended that the project be operational by mid-1987.

Although small by the standards of some of the major urban transit projects under construction around the world, and much smaller than the Tyne and Wear metro due to be completed later this year, Docklands provides the opportunity for a showpiece modern transit system to be built adjacent to the City.

With this in mind, the clients are being assailed by system planners and manufacturers worldwide on the attractions of their particular systems.

This year, the GLC and LDDC asked two transport consulting firms – Henderson Busby, and Kennedy and Donkin – to compile information on all the systems which would be appropriate.

Their report narrowed down the numbers to a dozen which are now under consideration with a view to a decision being taken by the middle of this year and contracts signed probably by the end.

Time and cost limits are tight, but such is the interest being displayed in Docklands by manufacturers intent to break in on what could be an international boom in light rail systems that the price might not be an inhibiting factor.

Systems examined include the driverless VAL project in Lille, to be opened by President Mitterrand next week; the Vancouver and Scarborough (Ontario) systems which have been designed by UTDC (Urban Transportation Development Corporation) in Canada; and the Westinghouse "people mover" concept which is being put into airports, including Gatwick.

That these systems have not been designed in the UK does not preclude UK participation. Companies like Matra (which has done Lille) and UTDC are well aware that their chances would improve if they brought British companies into the package, and to this end, Matra is talking with GEC, and White Young, and UTDC with Metro Cammell.

BUSINESSMAN'S DIARY

UK TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
Current	Incentive Marketing and Sales Promotion Exhibition (01-688 7788) (until April 27)	Brighton
April 24-27	Incentive Marketing and Sales Promotion Exhibition (01-688 7788)	Brighton
April 25-29	Packaging and Brewing Exhibitions—PAKEX and BREWEX (Solihull (021) 705 6707)	NEC Birmingham
April 26-28	Site Equipment Demonstration—SED 83 (01-904 9504)	Hatfield
April 26-29	International Land Reclamation Conference and Exhibition (Tunbridge Wells (0892) 44027)	Civic Hall, Essex
May 10-12	Riba Computer Conference and Exhibition (01-637 8991)	Bloomsbury Crest Hotel
May 15-19	Interior Design International (01-540 1101)	Olympia
May 16, 17	Direct Marketing Fair and Conference (0727 25209)	Kensington Exhibition Centre, W8
May 24-26	International Conference and Exhibition on Computers and Communications in Investment Banking and Insurance (Northwood Hills (09274) 28211)	Barbican
May 24-27	International Word and Information Processing Exhibition and Conference (01-405 8293)	Wembley Conference Centre
June 1	Advertising Business Systems Show (01-637 7435)	Press Centre, EC4
June 6-10	Chemical and Processing Engineering Show—EUROCHEM (01-747 3131)	NEC Birmingham
June 12-16	Shopex International (01-540 1101)	Olympia

OVERSEAS TRADE FAIRS AND EXHIBITIONS

Current	Construction Indonesia '84 (01-486 1951) (until April 28)	Jakarta
April 26-29	International Technology Fair—TECHEX '83 (01-584 5749)	Lyons
May 6-10	2nd Exhibition of Systems, Components and Materials for the Industrialised Building Sector—SICOMAT '83 (01-486 1951)	Milan
May 7-10	Manila Apparel Market Week (01-248 0742)	Philippines
May 17-19	Europe Software Exhibition (01-486 1951)	Utrecht
May 17-20	Technology/Inpex Exposition (Pittsburgh (412) 642 7380)	Pittsburgh
May 24-27	International Trade Fair for Industrial Cleaning and Maintenance (020 5411411)	Amsterdam
May 27-June 5	Paris Air Show (720.61.09)	Paris
June 8-10	International Telecommunications Congress and Trade Fair—IFCOM (01-930 7251)	Cologne

BUSINESS AND MANAGEMENT CONFERENCES

April 26	Macfarlane: The unlisted securities market—year three (01-637 7438)	Press Centre, EC4
April 27	Oyez IBC: ITV—the gathering storm. Where does television go from here? (01-236 4080)	British Academy of Television Arts, W1
April 27	Stanilend Hall Associates: The UK economy 1983-4 (01-359 6054)	Centre Point, WC1
May 5-6	Monadnock: Successful joint ventures in Egypt (01-262 2732)	Press Centre, EC4
May 9-11	IRS: 10th Zurich international corporate finance conference (01-637 4383)	Zurich
May 10-12	RRG: International insurance conference (01-236 2175)	Jersey
May 11	IRS: Employment law update 1983 (01-328 4751)	Carlton Tower, London
May 17	London Chamber of Commerce and Industry: What the busy manager should know about pensions (01-248 4444)	London Chamber, 69 Cannon Street, EC4
May 17-20	Lloyd's of London Press: Ocean carriers' rights and liabilities (01-247 9461)	Royal Horseguards Hotel
May 17-20	EVAF: Business research for corporate development (01-637 1221)	Hamburg
May 18-20	Dataquest: 1983 (European semiconductor conference (01-408 1427)	Monte Carlo
May 18	Eurofi: European Community finance for commerce and industry (Newbury (0635) 31900)	Plymouth Guildhall
May 18-20	Insig: 2nd international seminar—auditing in banking (Paris (1) 763.07.24)	Madrid
May 24	Chatham House: Hawke's Australia, chances of economic recovery (01-930 2233)	St. James's Square, SW1
May 24	Industrial Society: Quality circles—keeping the enthusiasm going (01-839 4300)	Carlton House Terrace, SW1
May 24, 25	British Franchise Association: Expansion through franchising (Colnbrook (964) 4909)	Holiday Inn, Swiss Cottage
June 1	Brighton Polytechnic: interactive video and computer training (Eastbourne (0323) 21400)	Eastbourne
June 1, 2	FT Conference: Vehicle components (01-621 1355)	Geneva
June 6-10	Management Centre Europe: International negotiations (219.03.90)	Brussels
June 9, 10	Frost and Sullivan: Systems network architecture (01-486 0334)	Cumberland Hotel, London

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published.

APPOINTMENTS

Lazard Bros. finance director

Mr R. P. West has been appointed finance director of LAZARD BROTHERS AND CO., from May 23.

★

Mr T. Stewart Jamieson has joined the board of W. E. NORTON (HOLDINGS) as chief executive and Mr J. A. Metcalfe and Mr W. Fitch have joined as non-executive directors. Mr F. S. Norton has retired from the board.

★

Mr Tony Horsley, sales manager and Mr Iain MacDonald, product and services manager have been appointed to the board of BUTLER INTERNATIONAL.

★

Mr John Sutherland, former managing director of Marconi Radar Systems, has joined CAMBRIDGE CONSULTANTS.

★

Mr Richard Arthur Hurst, has been appointed company secretary of REDIFFUSION on the retirement of Mr D. A. Smith. Since 1978 Mr Hurst has been principal assistant to the secretary. He has also been secretary to the company's corporate planning group, an appointment which he will retain.

★

Mr Robert F. Brace has been appointed as director-finance of the UNIPART GROUP responsible for financial control of all Unipart's operations, UK and worldwide. He was with Black and Decker as financial controller UK.

★

Sir Robert Lawrence has been appointed to the board of the VIKING PROPERTY GROUP as a non-executive director. He is a member of the British Railways Board and chairman of the British Rail Property Board, the National Freight Consortium Property Group and National Bus Properties.

★

Mr N. W. Nesbitt retires as a director of GARDNER MOUNTAIN AND CAPEL-CURE AGENCIES on April 30. Mr M. J. Terry and Mr F. Moore have been appointed directors from May 1.

★

MAX FACTOR has appointed Mr Hugh G. C. Wickes as marketing director in succession to Mr Mike Widdis who recently resigned. Mr Wickes was previously marketing director (UK and Europe) with Faberge Inc.

★

OGLE DESIGN has appointed Mr Ron Saunders as director, transport design. He was with Ford Motor Company in the UK for interior and exterior styling on cars, vans and trucks. He replaces Mr Richard Hamblin who has joined Austin Rover.

★

ALLIED-LYONS has appointed Mr J. B. Silverman as a director. He is an assistant managing director of J. Lyons and Co. food division of the group, and is responsible for the cake, biscuit and confectionery businesses.

★

Mr Michael Chitty has been appointed company secretary of WILLIS FABER.

★

Mr Bryan Wallace has been appointed chairman of T. C. THOMPSON AND SON. His company, Rosney, acquired 74 per cent of T. C. Thompson from Solna Group, Sweden.

★

THE GOODYEAR TYRE AND RUBBER COMPANY has appointed Mr G. E. Lawrence as managing director of Tyre-services Great Britain, Goodyear's retail organisation, following the re-assignment of TSGB's former general manager, Mr T. A. Walker. Mr Lawrence served as sales manager of Tyre-services prior to his return to the Goodyear parent company in January 1979 as marketing manager. Mr Walker is now in charge of special projects, working from the Goodyear chairman and managing director's office.

★

The BUILDER GROUP has appointed Mr Neil Murphy as editor-in-chief of Building (Publishers). This is additional to his position as managing director of that company. Mr Graham Rimmer becomes editor of "Building."

★

Following the completion of the acquisition of Wentworth Import and Export, Mr David G Pearce has been appointed a director of THE ALBERT FISHER GROUP.

★

Mr John G. Payton, has been appointed managing director of THORN EMI INSTRUMENTS, Dover. He succeeds Mr Christopher Power, who was recently appointed president of Systron-Donner Inc—Thorn EMI Technology's American electronics subsidiary in California. Mr Payton was managing director of Thorn EMI Electrical Components.

CONTRACTS

Norwest Holst wins £14m

NORWEST HOLST companies have been awarded three contracts totalling £14m. Norwest Holst Civil Engineering has been awarded a £3m contract by the Yorkshire Water Authority for reinforced concrete works including tanks, filters with structural steel frame and cladding, a filter press house and administration block at Langsett Treatment Works, Sheffield. Work has started and completion is expected in August 1985.

Norwest-Socea has been awarded a £6m contract by Shell Expro for the installation of 91 km of welded steel pipeline running from west of Aberdeen to south of Kirriemuir. The installation includes crossings over road, rail and the River Dee. Work started in March, with completion in August 1983.

Norwest Holst Pipework Services has been awarded a £5m mains and service laying contract by North West Gas in North, South Lancashire, Cheshire and Mersey areas. Work has started and completion is set for March 1985.

★

CAPPER NEILL INTERNATIONAL has won a £4.5m two-year contract for the selection, supply, installation and commissioning of all mechanical plant and electrical and control equipment for the future principal service reservoir pumping station in Doha, capital of Qatar. The station will be computer controlled and have a capacity of around 30m gallons of potable water a day. It will be situated adjacent to the site of Doha International Airport. The client is Qatar's Ministry of Electricity and Water.

★

WHITTINGHAM CONSTRUCTION, Wolverhampton-based construction arm of the Whittingham Group, has won building contracts worth £3m. Largest is a £1.1m industrial development at Wales Farm Road, Acton, for the Sun Alliance Insurance Group where 16 units are to be built in sizes around 1,500 sq ft with a total space of 36,000 sq ft. The units will be available in the autumn. At Boley Park, Lichfield, Whittingham has negotiated an £800,000 contract to build 24 industrial units to form the second-phase of a development by Barratt (Southern) Properties. This phase will comprise starter units of 1,000 to 5,000 sq ft on a two acre site. An office development at Staines for Montpelier Estates, a subsidiary of London and Edinburgh Investments is worth £540,000. Lastly Whittingham Constructions' sister company, Whittingham Property, has awarded a £700,000 contract for the construction of two units at Staples Corner. The development provides 36,000 sq ft of accommodation.

★

A £3m contract to construct new living quarters and recreation facilities for the Ministry of Defence at Howe Barracks, Canterbury, has been awarded to BOSKALIS WESTMINSTER CONSTRUCTION by the Property Services Agency. The two-year contract started on April 14. Twenty-two units, each designed to house 18 men, will be constructed in a courtyard layout. The existing warrant officers and sergeants mess will also be refurbished and extended to incorporate additional bedrooms and some existing junior servicemen's living accommodation, for single occupancy, will be altered internally and extended.

★

Y. J. LOVELL (LONDON)—part of the Lovell Construction Group—has just started a £2.83m reconstruction project for Prudential Assurance at 29 Queen Anne's Gate, SW1. The 85-week contract involves retention of the building's existing facade. When completed, the building will provide around 26,000 sq ft of air-conditioned office space on basement, ground and six upper floors. External design includes red facing brickwork, and block cavity walls on a reinforced frame.

★

Joannou and Paraskevaides, an international construction company, has placed an order, worth over £1.8m with HAWK LIFTING SERVICES for 16 Munsters B 740 cranes and four B 850 machines which will be shipped to Saudi Arabia for use in major construction projects.

CONTRACTS AND TENDERS

REPUBLIQUE ALGERIENNE DEMOCRATIQUE ET POPULAIRE

(The Democratic and Popular Republic of Algeria)

MINISTERE DE L'ENERGIE ET DES INDUSTRIES PETROCHIMIQUES
(Ministry of Energy and the Petrochemical Industries)

ENTREPRISE NATIONALE DE FORAGE
(National Drilling Company)

NOTICE OF INTERNATIONAL INVITATION TO TENDER

No. EX.01/83

A notice of International Invitation to Tender is hereby issued by the Entreprise Nationale de Forage, "ENAFOR," for the supply of:

Item No 1—Miscellaneous spare parts for drilling equipment, "OILWELL" make

Item No 2—Miscellaneous spare parts, makes: "GARDNER DENVER, NATIONAL, MATTCO, FOSTER, BAYLOR, LEE C. MOORE, GEOLOGRAPHY, LIGHTIN, OMSCO, FAWICK CLUTCH and DEMCO"

Item No 3—Miscellaneous spare parts, makes: "CAMERON, HYDRIL, CHRISTENSEN, BYRON JACKSON, VARCO, BAASH ROSS, WEB WILSON, BOWEN and HALLIBURTON"

Item No 4—"FITTINGS"

This invitation to tender is addressed solely to manufacturing companies; amalgamations, agents and other intermediaries being excluded in accordance with the provisions of Law No. 78-02 of the 11th February 1978, concerning State monopoly on Foreign Trade.

Tenderers interested in this invitation to Tender may obtain specifications from: ENAFOR—Département Engineering et Approvisionnements (Engineering and Supplies Department)—1, Place BIR HAKEIM—EL BIAR—ALGER (ALGIERS), as from the date of publication of this notice.

Tenders, drawn up in eight (8) copies, must be sent in a double sealed and registered packet; the envelope must be anonymous without the tenderer's heading, initials or stamp, and must bear simply the endorsement:

"APPEL D'OFFRES INTERNATIONAL No. EX.01/83—CONFIDENTIAL—A NE PAS OUVRIR—A L'ATTENTION DE MONSIEUR LE CHEF DE DEPARTEMENT ENGINEERING ET APPROVISIONNEMENTS" (International Invitation to Tender No. EX.01/83—Confidential—Do not open—For the attention of the Head of the Engineering and supplies Department).

Tenders must arrive by 28th May 1983, at the very latest. Any tenders arriving after this date will be rejected.

Selection will be made within 120 days from the closing date of the Invitation to Tender.

REPUBLIQUE ALGERIENNE DEMOCRATIQUE ET POPULAIRE

(The Democratic and Popular Republic of Algeria)

MINISTERE DE L'ENERGIE ET DES INDUSTRIES PETROCHIMIQUES
(Ministry of Energy and the Petrochemical Industries)

ENTREPRISE NATIONALE DE FORAGE
(National Drilling Company)

NOTICE OF NATIONAL AND INTERNATIONAL INVITATION TO TENDER No. EX.07/83

A notice of National and International Invitation to Tender is hereby issued by the Entreprise Nationale de Forage, "ENAFOR," for the supply of:

Item No 1—Electrical spare parts for drilling equipment on sites US STANDARDS

Item No 2—Electrical spare parts for drilling, installations and sites EUROPEAN STANDARDS

This invitation to Tender is addressed solely to manufacturing companies; amalgamations, agents and other intermediaries being excluded in accordance with the provisions of Law No. 78-02 of the 11th February 1978, concerning State monopoly on Foreign Trade.

Tenderers interested in this invitation to Tender may obtain specifications from: ENAFOR—Département Engineering et Approvisionnements (Engineering and Supplies Department)—1, Place BIR HAKEIM—EL BIAR—ALGERS (ALGIERS), as from the date of publication of this notice.

Tenders, drawn up in eight (8) copies, must be sent in a double sealed and registered packet; the envelope must be anonymous without the tenderer's heading, initials or stamp, and must bear simply the endorsement:

"APPEL D'OFFRES NATIONAL ET INTERNATIONAL No. EX.07/83—CONFIDENTIAL—A NE PAS OUVRIR—A L'ATTENTION DE MONSIEUR LE CHEF DE DEPARTEMENT ENGINEERING ET APPROVISIONNEMENTS" (National and International Invitation to Tender No. EX.07/83—Confidential—Do not open—For the attention of the Head of the Engineering and Supplies Department).

Tenders must arrive by 28th May 1983, at the very latest. Any tenders arriving after this date will be rejected.

Selection will be made within 120 days from the closing date of the Invitation to Tender.

REPUBLIQUE ALGERIENNE DEMOCRATIQUE ET POPULAIRE

(The Democratic and Popular Republic of Algeria)

MINISTERE DE L'ENERGIE ET DES INDUSTRIES PETROCHIMIQUES
(Ministry of Energy and the Petrochemical Industries)

ENTREPRISE NATIONALE DES TRAVAUX AUX PUITS
(National Company for the exploitation of Oilwells)

NOTICE OF INTERNATIONAL INVITATION TO TENDER

NUMBER 9135/DIV./

A notice of International Invitation to Tender is hereby issued by the Entreprise Nationale des Travaux aux Puits for the supply of:

EQUIPMENT FOR ENGINEERING MAINTENANCE WORKSHOP

This invitation to tender is addressed solely to manufacturing companies; amalgamations, agents and other intermediaries being excluded in accordance with the provisions of Law No. 78-02 of the 11th February 1978, concerning State monopoly on Foreign Trade.

Tenderers interested in this invitation to Tender may obtain specifications from the following address: Entreprise Nationale des Travaux aux Puits, 2 Rue du Capitaine Azzoug, Côte-Rouge, Hussein-Dey, ALGER (ALGIERS), ALGERIA — Département Approvisionnements et Transport, as from the date of publication of this notice.

Tenders, drawn up in five (5) copies, must be sent in a double sealed and registered packet to the "Secrétariat du DAT (Supplies and Transport Department) at the above address. The outer envelope must be completely anonymous, without heading, and must bear the endorsement: "APPEL D'OFFRES INTERNATIONAL Numéro 9135/DIV. Confidential — A ne pas ouvrir" (International Invitation to Tender Number 9135/DIV. Confidential—Do not open).

Tenders should be despatched to arrive by 12.00 hours on Saturday, 28.5.1983, at the very latest. Any tenders arriving after this date will be rejected.

Selection will be made within 180 days from the closing date of this invitation to Tender.

CONTRACTS & TENDERS ADVERTISING APPEARS EVERY MONDAY,

THE RATE IS £30.00 PER SINGLE COLUMN CENTIMETRE.

REPUBLIQUE ALGERIENNE DEMOCRATIQUE ET POPULAIRE

(The Democratic and Popular Republic of Algeria)

MINISTERE DE L'ENERGIE ET DES INDUSTRIES PETROCHIMIQUES
(Ministry of Energy and the Petrochemical Industries)

ENTREPRISE NATIONALE DES TRAVAUX AUX PUITS
(National Company for the Exploitation of Oilwells)

NOTICE OF INTERNATIONAL INVITATION TO TENDER NUMBER 0276/ DIV./

A notice of International Invitation to Tender is hereby issued by the Entreprise Nationale des Travaux aux Puits for the supply of:

LAMPS AND ACCESSORIES

This invitation to tender is addressed solely to manufacturing companies; amalgamations, agents and other intermediaries being excluded in accordance with the provisions of Law No. 78-02 of the 11th February 1978, concerning State monopoly on Foreign Trade.

Tenderers interested in this invitation to Tender may obtain specifications from the following address: Entreprise Nationale des Travaux aux Puits, 2 rue du Capitaine Azzoug, Cote-Rouge, Hussain-Dey, ALGER (ALGIERS), ALGERIA — Département Approvisionnements et Transport, as from the date of publication of this notice.

Tenders, drawn up in five (5) copies, must be sent in a double sealed and registered packet to the "Secrétariat du D.A.T. (Supplies and Transport Department) at the above address. The outer envelope *must be completely anonymous, without heading*, and must bear the endorsement: "APPEL D'OFFRES INTERNATIONAL Numéro 0276/DIV. Confidential — A ne pas ouvrir" (International Invitation to Tender Number 0276/DIV. Confidential — Do not open).

Tenders should be despatched to arrive by 1200 hours on Saturday, 28.5.1983, at the very latest. Any tenders arriving after this date will be rejected.

Selection will be made within 180 days from the closing date of this Invitation to Tender.

REPUBLIQUE ALGERIENNE DEMOCRATIQUE ET POPULAIRE

(The Democratic and Popular Republic of Algeria)

MINISTERE DE L'ENERGIE ET DES INDUSTRIES PETROCHIMIQUES
(Ministry of Energy and the Petrochemical Industries)

ENTREPRISE NATIONALE DE FORAGE
(National Drilling Company)

NOTICE OF NATIONAL AND INTERNATIONAL INVITATION TO TENDER No. EX.06/83

A notice of National and International Invitation to Tender is hereby issued by the Entreprise Nationale de Forage, "ENAFOR," for the supply of:

Item No 1—7,100 pairs of safety shoes

Item No 2—8,000 Pairs of "FOREUR" type working gloves

This invitation to tender is addressed solely to manufacturing companies; amalgamations, agents and other intermediaries being excluded in accordance with the provisions of Law No. 78-02 of the 11th February 1978, concerning State monopoly on Foreign Trade.

Tenderers interested in this invitation to Tender may obtain specifications from: ENAFOR—Département Engineering et Approvisionnements (Engineering and Supplies Department)—1, Place BIR HAKEIM—EL BIAR—ALGER (ALGIERS), as from the date of publication of this notice.

Tenders, drawn up in eight (8) copies, must be sent in a double sealed and registered packet; the envelope must be anonymous without the tenderer's heading, initials or stamp, and must bear simply the endorsement:

"APPEL D'OFFRES NATIONAL ET INTERNATIONAL No. EX.06/83—CONFIDENTIAL—A NE PAS OUVRIR—A L'ATTENTION DE MONSIEUR LE CHEF DE DEPARTEMENT ENGINEERING ET APPROVISIONNEMENTS" (National and International Invitation to Tender No. EX.06/83—Confidential—Do not open—For the attention of the Head of the Engineering and Supplies Department).

Tenders must arrive by 28th May 1983, at the very latest. Any tenders arriving after this date will be rejected.

Selection will be made within 120 days from the closing date of the Invitation to Tender.

REPUBLIQUE ALGERIENNE DEMOCRATIQUE ET POPULAIRE

(The Democratic and Popular Republic of Algeria)

MINISTERE DE L'ENERGIE ET DES INDUSTRIES PETROCHIMIQUES
(Ministry of Energy and the Petrochemical Industries)

ENTREPRISE NATIONALE DE FORAGE
(National Drilling Company)

NOTICE OF INTERNATIONAL INVITATION TO TENDER No. EX.05/83

A notice of National and International Invitation to Tender is hereby issued by the Entreprise Nationale de Forage, "ENAFOR," for the supply of:

Item No 1—Spare parts for "KENWORTH" special vehicles
Item No 2—Spare parts for "LAND ROVER" vehicles
Item No 3—Spare parts for "TOYOTA" vehicles

This invitation to Tender is addressed solely to manufacturing companies; amalgamations, agents and other intermediaries being *excluded in accordance with the provisions of Law No. 78-02 of the* 11th February 1978, concerning State monopoly on Foreign Trade.

Tenderers interested in this invitation to Tender may obtain specifications from: ENAFOR—Département Engineering et Approvisionnements (Engineering and Supplies Department)—1, Place BIR HAKEIM—EL BIAR—ALGER (ALGIERS), as from the date of publication *of this notice.*

Tenders, drawn up in eight (8) copies, must be sent in a double sealed and registered packet; the envelope must be anonymous without the tenderer's heading, initials or stamp, and must bear simply the endorsement:

"*APPEL D'OFFRES NATIONAL ET INTERNATIONAL No. EX.05/83—CONFIDENTIAL—A NE PAS OUVRIR—A L'ATTENTION DE MONSIEUR* LE CHEF DE DEPARTEMENT ENGINEERING ET APPROVISIONNEMENTS" (National and International Invitation to Tender No. EX.05/83—Confidential—Do not open—For the attention of the Head of the Engineering and Supplies Department).

Tenders *must arrive by 28th May 1983, at the very latest.* Any tenders arriving after this date will be rejected.

Selection will be made within 120 days from the closing date of the Invitation to Tender.

WANDSWORTH CORPORATION

Major modifications to an existing district heating system at Livingstone Road Estate, London, S.W.11

Contractors wishing to be considered for selection to tender for carrying out modifications to a district heating scheme serving 338 occupied dwellings, should submit names to the Director of Administration, *Room* F11, The Town Hall, Wandsworth High Street, London SW18 2PU, by 6th May 1983.

The works will involve the removal of the existing warm air units and the installation of a radiator heating system together with domestic hot water to each dwelling in two high-rise and seven low-rise blocks.

The contract will include improvements to the existing boiler plant and controls together with all associated builder's and electrical work.

Applicants must submit details of labour, technical and supervisory *staff available together with names and addresses of two technical* and two financial referees, unless this information has already been provided for a similar contract within the last twelve months.

It is anticipated that specifications and drawings will be issued to selected contractors in July 1983 and that the contract period will commence in September 1983.

The engineering design services for this scheme will be provided by R. Child, R.I.B.A., Borough Architect, The Town Hall, Wandsworth High Street, London SW18 2PU.

REPUBLIC OF MALI

ENERGIE DU MALI

PREQUALIFICATION NOTICE MOPTI-SEVARE DIESEL-ENGINE POWER PLANT

Energie du Mali (EDM) has decided to sollicit International bids for the turnkey execution of a diesel-engine power plant at Mopti-Sevare.

This project will be financed by: OPEC - Vienna with the participation of the World Bank. (I.B.R.D.)

Engineering and design will be executed by:
ELECTRICITE DE FRANCE - DIRECTION DES AFFAIRES INTERNATIONALES (EDF INTERNATIONAL)

The power plant will be located at the entrance to the town of Sevare at a distance of approximately 600 kilometers to the northeast of Bamako. The facility will include a power plant with three 0.75MW diesel-powered generator units plus auxiliary equipment.

PROCEDURE:

Interested construction firms and contractors shall furnish the normal references required for preselection no later than May 30 th, 1983. This information must include the names of similar projects executed, the financial structure of the firm submitting the bid, addresses of representative offices and the range of production supported by statistical data.

One copy of the above preselection documents to be sent to each of the following:

ENERGIE DU MALI
B.P. 69
BAMAKO - REPUBLIC OF MALI

EDF INTERNATIONAL
68, rue du Faubourg Saint-Honoré
F. 75008 PARIS France

Qualifying firms will be informed no later than July 31 st, 1983, and tender documents will be made available the same day in the offices of EDF INTERNATIONAL at a price of $U.S.100 payable by check.

Sodel conseil

REPUBLIQUE ALGERIENNE DEMOCRATIQUE ET POPULAIRE

(The Democratic and Popular Republic of Algeria)

MINISTERE DE L'ENERGIE ET DES INDUSTRIES PETROCHIMIQUES
(Ministry of Energy and the Petrochemical Industries)

ENTREPRISE NATIONALE DE FORAGE
(National Drilling Company)

NOTICE OF INTERNATIONAL INVITATION TO TENDER No. EX.04/83

A notice of International Invitation to Tender is hereby issued by the Entreprise Nationale de Forage, "ENAFOR," for the supply of 1,124 rock bits with flow beams.

This invitation to tender is addressed solely to manufacturing companies; amalgamations, agents and other intermediaries being excluded in accordance with the provisions of Law No. 78-02 of the 11th February 1978, concerning State monopoly on Foreign Trade.

Tenderers interested in this invitation to Tender may obtain specifications from: ENAFOR—Département Engineering et Approvisionnements (Engineering and Supplies Department)—1, Place BIR HAKEIM—EL BIAR—ALGER (ALGIERS), as from the date of publication of this notice.

Tenders, drawn up in eight (8) copies, must be sent in a double sealed and registered packet; the envelope must be anonymous without the tenderer's heading, initials or stamp, and must bear simply the endorsement:

"APPEL D'OFFRES INTERNATIONAL No. EX.04/83—CONFIDENTIAL—A NE PAS OUVRIR—A L'ATTENTION DE MONSIEUR LE CHEF DE DEPARTEMENT ENGINEERING ET APPROVISIONNEMENTS" (International Invitation to Tender No. EX.04/83 — Confidential — Do not open — For the attention of the Head of the Engineering and Supplies Department).

Tenders must arrive by 28th May 1983, at the very latest. Any tenders arriving after this date will be rejected.

Selection will be made within 120 days from the closing date of the invitation to Tender.

TURKEY

TURKISH PETROLEUM CORPORATION (TPAO)

INVITATION TO TENDER FOR PURCHASE OF GEOPHYSICAL PROCESSING CENTRE

The Government of Turkey has received a loan from the World Bank for financing the Hydrocarbon Exploration Activities in Turkey. Implementation and supervision of these activities is the responsibility of TPAO, the National Petroleum Company.

In order to improve its capabilities of processing seismic data, TPAO will allocate a part of the loan for the purchase of an up-to-date computer centre and the associated processing software. The location of the centre will be in Ankara, Turkey, in facilities provided by TPAO.

The capacity of the centre shall be sufficient to handle TPAO's expected processing requirements from the output of four land parties and reprocessing of 2,000 km of seismic lines including marine data each year. Software should comprise all currently known advanced processing techniques. An important element of the above mentioned purchase will be the training of TPAO staff in the use of these techniques.

Delivery is expected not later than December 1, 1983. Only bids from companies with experience in the installation of at least three similar computer centres in areas outside North America and Western Europe and with the capability for extensive training of local staff will be considered for evaluation.

The proposed hardware and software system must be currently in use in a location where the results of a test line can be obtained and the run times of the system demonstrated.

Bidding will be on an international competitive basis and open to suppliers from the World Bank member countries, including Switzerland and Taiwan.

Potential bidders who wish to be included in the mailing list for procurement documents are expected to become available by July 1, 1983 by 11.00 hours and invited to contact:
Turkiye Petrolleri A.O., Mudafaa Caddesi No. 22
Bakanliklar, Ankara
Attention: Dr I. A. Kafescioglu
Phone: 18 18 85 - Telex: 42397 TPAO TR

EDUCATIONAL

CERAN **FRENCH 66**

☐ Teaching staff presence from 8 a.m. to 10 p.m. = 66 hours per week (study and practice). ☐ Specialising in French, CERAN teaches French exclusively. ☐ Residential courses in the Ardennes. ☐ Group (max 6) and private lessons. ☐ Week and week-end courses. ☐ Business seminar. ☐ Holiday courses for your children.

References: private, companies, embassies, EEC, European Parliament, SHAPE. Brochure and references CERAN - 166 NIVEZE B 4880 SPA (Belgium) Telex 49650. Tel. (Intern.) 32.87.773016. CERAN: INTENSIVE AND EFFECTIVE.

COMPANY NOTICES

SOCIETE GENERALE
US$50 MILLION FLOATING RATES NOTES DUE 1991

CAISSE NATIONALE DES TELECOMMUNICATIONS
US$75 MILLION FLOATING RATE NOTES 1982/90

SOLEX P.L.C.

NOTICE TO HOLDERS OF BEARER DEPOSITARY RECEIPTS (BDR's) IN DAI NIPPON PRINTING CO. LTD.

We are pleased to confirm that copies of the Annual Report for the year 1982 of Dai Nippon Printing Co. Ltd. are now available to BDR holders upon application to the offices of the following conversion agents:
Citibank London, and Banque Generale du Luxembourg.
CITIBANK N.A.
London Depositary
April, 25, 1983.

TRAVEL

TOKYO, Osaka, Seoul, Taipei & Far East. Wide choice of discount flights. Brochure. Japan Services Travel, 01-437 5703.

MOTOR CARS

Watsons

1982 ROLLS-ROYCE SILVER SPUR L.W.B.
Finished in Ocean Blue with Dark Blue Everflex Roof and Mountain Blue Hide Trim. One owner since new. Private reg. Full R-R specifications. Low-mileage. Service history available — POA.

ROLLS-ROYCE SHADOW II
Blue Metallic. White Everflex Roof. White Leather Trim. Specifications include Electric Sunroof, Cruise Control, Refrigeration. Full service history available. Private Plates, one owner since new. This vehicle has only 17,000 miles — POA.

MAIN STREET, COATBRIDGE TEL: 27201

PERSONAL

FACT

MORE THAN 1,500 CHILDREN develop the disease every year. It is

DIABETES

Join us—Help us—Support us

BRITISH DIABETIC ASSOCIATION
10 Queen Anne Street, London W1M 0BD

EXHIBITIONS

GOLDSMITHS' CRAFT FAIR

Designer jewellery and silver for sale.

Admission free. 10.30-5.00, Wed. 27th to Sat. 30th April, until 8.00 Wed. 27th.

GOLDSMITHS' HALL
Foster Lane, London EC2

CLUBS

EVE has outlived the others because of a policy of fair play and value for money. Supper from 10-3.30 am. Disco and top musicians, glamorous hostesses, exciting floorshows. 189, Regent St. 01-734 0557.

RAMON'S NIGHTCLUB RESTAURANT, 42 Dean Street, W1. Where today's businessman can relax and enjoy an exciting evening. Various cabaret acts throughout. Charming and discreet dancing partners available. Open nightly 9 pm to 3 am. 01-437 9455.

THE GASLIGHT OF ST. JAMES'S, London's most exciting businessman's night time retreat. No membership needed. 2 bars, dozens of danceable companions. Intriguing Cabaret Acts. Happy hour 8-9 pm. If required, superb three-course dinner, only £9.75 plus service and tax. Entrance fee £5.75 (£5 refunded to diners ordering before 9 pm). Mon.-Fri. 8 pm-2 am, Sat. 9 pm-2 am. 4, Duke of York Street, SW1. Tel: 01-930 1648/4950.

ART GALLERIES

BROWSE & DARBY, 19, Cork St., W1. 01-734 7984. PHILIP SUTTON Paintings & Sculpture.

LEFEVRE GALLERY, 30, Bruton St., W1. 01-493 1572/3. CONTEMPORARY PAINTINGS ON VIEW. Mon.-Fri. 10-5 and Sats. 10-12.45.

FINANCIAL TIMES
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TECHNOLOGY

EDITED BY ALAN CANE

ADVANCES IN MEDICAL DIAGNOSIS

Do-it-yourself heart kits 'by 1990s'

BY RAYMOND SNODDY

CARDIAC DIAGNOSIS kits for everyone to use in the home or the office should be commercially available by the mid-1990s, according to a new report on cardiovascular drugs and instrumentation.

The developments which would appeal to both hypocondriacs and those trying to reduce heart attacks would result from the continued diffusion of sophisticated medical devices from hospitals to doctors' surgeries and on to the consumer.

New computer-based technology would mean that cardiac testing now carried out exclusively in hospital could be carried out in doctors' surgeries quickly and cheaply and would become as routine as a trip to the dentist.

Such a move, and the arrival of the family electronic sphygmomanometers for measuring blood pressure, were the natural predecessors of a home-based cardiac analysis system "which should come into commercial operation by the mid-1990s."

Because of the possibility of such technological advances diagnostic cardiological equipment had the greatest market potential of the whole cardiovascular instrumentation industry, Predicasts, the U.S. research organisation believes.

Sales of such equipment in the developed world approached $125m in 1981—an 18.6 per cent increase a year from 1967. They would reach $700m by 1995, showin ga 13.6 per cent annual increase over the period.

Demand for heart-related medical products in the developed world increased at an average annual rate of 10.2 per cent in real terms between 1967 and 1981 to over $7.4bn.

The fact that heart disease continued to be the number one health problem in most countries combined with technological developments i ndiagnosis, monitoring and treatment meant fast growth for the manufacturers of cardiovascular drugs and equipment.

Real growth has ranged between 9.8 per cent and 11.8 per cent although cuts in health spending and the maturity of some products would tend to reduce the rate of growth in future.

However, "cardiovascular medical product markets in the developed world will, in aggregate, continue to increase more rapidly than most other health care product markets and much more rapidly than markets for manufactured goods in general," Predicast believes.

By 1995 spending on all cardiovascular products will approach $20bn, in 1981 dollars, given real growth of around 7 per cent a year. This will be faster in the pharmaceutical than the instrumentation sector.

Future growth would be fuelled by a steady influx of new products and processes, and the increasing ability of less developed nations to buy more advanced technologies.

The drugs which will show the fastest growth will be beta adrenergic blocking agents and calcium channel blockers. Beta blockers can slow the heart beat rate, reducing the frequency and intensity of angina attacks and also lowering blood pressure.

Calcium blockers which inhibit the flow of calcium ions can be effective in controlling the rhythm of the heartbeat.

The attraction of both beta and calcium blockers, according to Predicasts, is that they attack the symptoms of several heart-related disorders.

Another group of drugs—vasodilators which dilate blood vessels allowing more blood though—would also show above average growth. And hopes for the future include preparations which can actually stop heart attacks in progress. Preliminary results on one such compound being tested at the Medical College of Pennsylvania were encouraging.

Cardiovascular pharmaceutical sales as a whole will, according to the report total $16.8bn (at 1981 prices).

In the equipment sector the main earnings would come, from implantable pacemakers. They would account for an estimated $2.5bn sales by 1995.

Another growth area would be in defibrillators and resuscitation equipment especially in the mid-to-late 1980s. Defibrillators are used to eliminate quivering of the ventricles of the hear which prevents useful pumping of blood.

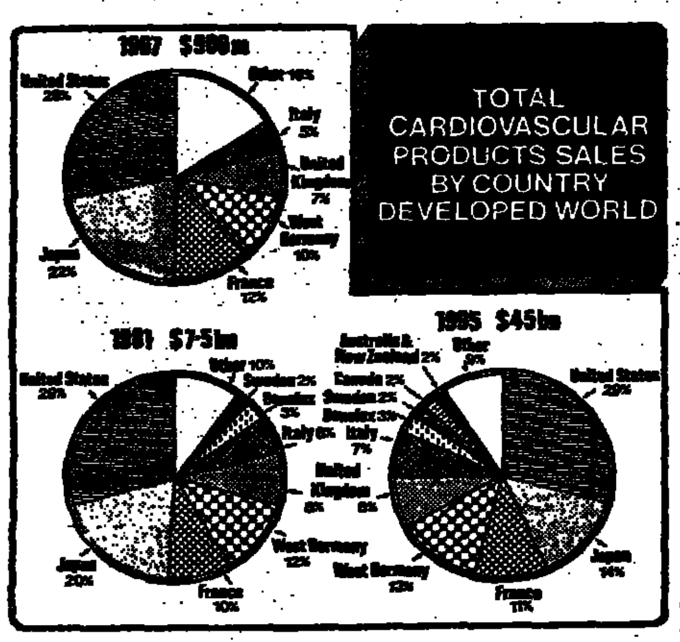
"The most significant development in defibrillator technology in the 1980s will be implantable devices," says the report.

Researchers at Johns Hopkins Medical Institution in the U.S. are working on an implantable device which will detect ventricular fibrillation and restore a normal heart rhythm by sending out electrical discharges. The implantable device will push defibrillator sales towards $1bn by 1995.

Although growth for the whole cardiovascular sector would be dramatic there are relatively high barriers to entry of the market because of the need for continuous and costly basic research nad new product development.

"Companies with already eestablished R&D capabilities and positions in important institutional markets will be in the best position to exploit the growth opportunities of the 1980s and 1990s," says Predicasts.

Cardiovascular drugs and instrumentation from Predicasts 200 University Circle Research Centre, 11001 Cedar Ave, Cleveland, Ohio 44106.



KODAK JOINS THE LIST OF CONTENDERS FOR OPTICAL DISC SYSTEMS

Data from a silver disc—and card

BY GEOFFREY CHARLISH

IN RATHER low key, Eastman Kodak reveals it is developing an optical disc for data storage but—not surprisingly—only as part of a total information strategy that continues to make use of microfilm as a basic data storage medium.

Kodak says its design is based on ten years of research backed by a broad experience in coating thin layers of chemicals on to polymer surfaces. In cross section the disc has two tightly stretched polymer sheets separated by eight thousandths of an inch. The outer sheet acts as a protective covering to keep dust and fingerprints off the recording surface.

That surface has three layers: the upper coating records the information, the second reflects light to aid the recording and reading of data while the bottom layer provides the basic ultra-smooth surface needed for recording.

A laser is used for both recording and playback. The recording head focuses a diode laser beam on the surface, burning microscopic "pits" that represent binary data. The data is read by another laser that detects the different reflectivities of the pits in relation to their surroundings.

Impressive laboratory results have been obtained says the company—it is claimed that digital information can be recorded at rates up to 24m bits per second.

A single disc can store 5,600 megabytes or nearly 45bn bits of information. Assuming the average paper document holds about 4m bits, the disc can hold more than 100,000 pages using digital compression techniques according to U.S. sales executive John Lacey. This is the equivalent of about 50 magnetic tapes or 2,000 floppy discs.

Kodak does not reveal when its disc will emerge from development; when it does it will presumably be competitive with offerings similarly emerging from such companies as Sony, Philips, Shugart and Drexler.

It will also come up against the important development from Matsushita, announced in the last few days, in which data can be erased as well as written on an optical disc.

In any event, the corporation is talking in terms of micro-image transmission systems in which frames of film will be robot-extracted from mass film stores, scanned electronically into a digit stream and transmitted over phone lines, fibre optic links or satellites.

Lacey, who was outlining Kodak's strategy in Philadelphia recently, predicted "distinct interaction between microfilm and optical disc." He felt that users might capture data on optical disc for rapid access during the first 90 days of storage, committing it to microfilm for long term storage after the period of high activity passes.

Drexler's allies grow

Most contenders in this field have followed the rotating medium path — presumably because that is how makers and users alike have perceived bulk storage from the days of the big fixed discs.

However, discs are not necessarily the best proposition from the portability standpoint, simply because rectangular objects can generally be carried and stored more easily and economically.

This, and the fact that there has been some natural follow-on from the idea of storing data on the credit card is probably what prompted Drexler Technology Corporation and Stanford Research Institute to look at rectilinear scanning.

The latest participants in the Drexler laser card equipment development and licensing programme are three major Japanese companies — Canon, Fujitsu and Kanto Denshi.

This brings the total of licencees to seven: the others are NCR, Ericsson Information Systems, Toshiba, and Elbit Computers in Israel.

The Drexler development, first announced in June, 1981, allows an astonishing 800 pages of text (about 400,000 words) to be stored on a 35 x 80mm stripe laid down on a credit card-sized piece of plastic. By comparison, the magnetic stripe on a current credit card can hold about 45 words.

The material used is an organic film into which very fine metallic reflective particles have been introduced on the surface. A fine laser beam turns the surface a non-reflective black in tiny areas that represent digital "noughts" and "ones." Another laser unit reads the digits.

However, the system, called Drexon, is non-erasible and the recently introduced alterable system from Matsushita in Japan puts the Drexler and similar optical systems now emerging from such companies as Sony, Philips and Shugart in a rather different context.

The only other announced alterable system is Bell and Howell's Micrex, although this has been aimed at microfich recording and updating and employs heat rather than light.

There is a school of thought in the industry however, that believes erasibility is not of major importance since so much can be written by these systems in such a small area that it will be perfectly reasonable to always re-write, ignoring all previously written data.

For example, a single card could hold 20 to 30 programs for personal computers, or a very large amount of text. In banking and retailing the cards could carry extended information for transaction purposes. Furthermore, a number of the cards could be held in cigarette pack-sized container.

For quantities of 100,000 identical cards the price to distributors will range from $1.50 for a card that is either blank or pre-recorded with 1m bits, up to $5.25 for a card with 16m bits.

The seven licensees are paying $200,000 each and will receive designs of equipment for using the cards, non-exclusive use of equipment patents, and distributor rights to purchase cards from Drexler on a volume basis for resale.

Computing

Peripheral switching

INTRODUCED BY T-Bar International (Europe) of Slough is a switching unit designed for use in data centres where there is a need physically to switch computer peripherals such as disk or tape controllers, printers and terminals.

The unit, designated 3690CMS, has total IBM compatibility and will accommodate users who need to consider the possibility of continued expansion of their computer systems.

Field expansion can be continued from the basic 1 by 4 matrix up to 16 by 24 and beyond, in single CPU channel or switchable port increments.

The device increases the abilities and value of a user's computer installation by providing flexible job sharing of equipment and emergency back-up arrangements. More on 0753 40545.

BUILDING AND CIVIL ENGINEERING

Confidence restored for cavity foam

THE UK cavity wall insulation industry is delighted with the decision by the U.S. Federal Appeals Court to overturn a nine-month ban on the sale of ureaformaldehyde foam.

The ban caused widespread *repercussions in other countries* and hit sales of all types of cavity wall insulation, not least in the UK where sales of foam products were already reeling in the wake of bad publicity. Some companies were reporting a slump in sales of up to 75 per cent and one major company went into receivership.

Sales are only just beginning to recover and the decision by the Federal Appeals Court should help restore public confidence and improve sales still further.

The U.S. ban was introduced partly because no technical standards were in existence to oblige installers to maintain adequate workmanship and partly because American homes —with their extra wide cavities, impermeable external surfaces and permeable inner linings— are *unsuitable for such insulation.*

The Court has now found, however, that the decision by the Consumer Products Safety Commission was based on inadequate evidence and that it had used improper regulatory procedures that denied the industry a fair hearing.

Mr Paul Denham, chairman of the Cavity Foam Bureau, says that sensational reports on the ban undermined public confidence, leading to the failure of several installation companies and ultimately costing householders many millions of pounds in bills for wasted fuel.

He commented on the U.S. decision: "It will undoubtedly help to restore the public's faith in the benefits of cavity foam insulation. We welcome the commonsense that this new ruling represents."

The National Cavity Insulation Association, which was furious with what it called "one-sided publicity" also welcomed the American decision. Mr John Baker, chairman of the association, said the move represented a positive step towards re-establishing confidence in UF foam insulation as well as other available forms of insulation, providing they are correctly installed.

Mr Baker said that the U.S. *authorities would be* "well advised" to introduce the tight control, high standards and safeguards that the UK industry has—with government support —set up to supervise its activities.

MICHAEL CASSELL

When the oil rigs and the nuclear power stations have to come down

A STRATEGY for ensuring that the demolition and dismantling *industry participates* fully in new opportunities such as offshore platform removal is presented in a new report published by the Civil Engineering Economic Development Committee.

The report, prepared by a sub-group of the committee, says that for far too long the demolition and dismantling of redundant structures has been regarded as a "Cinderella activity" by those in construction.

But new business prospects arising from offshore platform removal, nuclear decommissioning and the restructuring of processing industries with excess capacity will, it says provide an increasingly significant element in the future workload of the industry. About 10,000 people work in the industry, most of them in companies *with fewer than 25 employees.*

The report recommends that certified training should be established for site management and operatives and calls for higher standards of site efficiency and a better health and safety performance.

On offshore platform removal, the report says it anticipates that, during the next decade, there will be a handful of platforms abandoned for economic reasons or because of structural unsoundness. Beyond 1995 a significant upsurge in platform abandonment would occur.

A key recommendation in the *report is that the availability in* Britain of the technical resources required to undertake removal needs to be evaluated, and any areas for improvement identified. "The absence of very heavy lifting capacity in Britain is a matter for particular investigation," said the committee.

On nuclear decommissioning the report said there were 300 nuclear power stations already in operation worldwide and a further 200 under construction. A member of the EDC sub-*committee responsible for the* report has already joined the steering committee set up by United Kingdom Atomic Energy Authority to oversee the full decommissioning and removal of the Windscale advanced gas-cooled reactor.

The Windscale project was the first of its kind and British engineers would gain knowledge which, the report says, should be fully exploited. The Central Electricity Generating Board has offered to provide instruction to companies in safety requirements.

The report adds: "The *industry should avail themselves* of this and consider in particular whether demolition and dismantling engineers could spend periods with operators (for example during technical training or by short secondments) in order to develop awareness of the nuclear environment and its implications for decommissioning. Those companies which aspire to nuclear work should be laying the foundations now," the report adds.

The EDC intends to hold a conference in June to discuss *the report and its implications. Growing Markets for Demolition and Dismantling — a strategy for the UK industry. Available from NEDO Books, Millbank Tower, Millbank, London SW1P. Price £5*

LISA WOOD

High rewards in renovation trade

WALKING THE streets can be a lucrative pastime. For Brian Whitty, it is a way of life which has helped him build up a group of companies specialising in refurbishment and, starting with a £2,000 stake ten years ago, now notching up an annual turnover of more than £6m.

Whitty has just been awarded the £1.38m contract for the second phase of refurbishment at the Mayfair Hotel in London's West End. He completed the first, £1.5m phase in May of last year and will be negotiating for the final phase which is expected to take the total cost of work on the hotel close to the £6m mark—a very big refurbishment job in anyone's terms.

His methods are old fashioned but effective. Whitty gets up at 5 am at his home in Bromley, and aims to be at his headquarters in Brockley, south-east London, by 6.20. "The paint distribution company opens at 6.30," he says, matter-of-factly, "and I check that and the joinery shop for materials, which have to go up to town."

Having set the day up, Whitty "jumps" one of the transports going to town, aiming to get to his first site in the West End by 7.20 am to 7.30 am—he is also *refurbishing the main* kitchen at the Waldorf, and working on the London Coliseum Theatre in St Martins Lane.

It does not have to be a West End start. Whitty varies the pattern, by design. "It could be Maida Vale; it could be Windsor," he says with an expression which suggests that site foremen would be well advised to remember that.

By 8 am he is checking people coming in at different jobs; talking to site agents and general foremen. Then he walks round all his major sites in the course of a morning. "At the same time I pick out estate agents and property people and send them brochures. It brings in a lot of work."

Sit meetings, and half-hourly check calls to head office fill in the rest of the day. "We had seven roofs leaking after the downpour last Monday morning," he says, accepting that refurbishment projects will have their fair share of burst pipes and overflows.

He get back to base at 5 pm to "sort out problems in the office," aiming to get home by 8 pm—and even then he spends two hours on the telephone before calling it a day.

"I'm doing a job I really shouldn't be doing," says Whitty, nestled in a low chair like an Irish Ronnie Corbett. "Normally the chairman of a group of companies has men on the road but often he doesn't know what's going on and the client likes to deal direct with someone who does.

"At any given job I can walk in and see if there is a man who is not up to standard," he says. Refurb is a skilled business, and the Brian Whitty group has a total labour force of only 200. He can put in ten to a dozen regulars—"top men"—as a basic team and employ others on a casual basis.

Sometimes, he sees that there are just too many men on the job, and someone gets his marching orders. "Refurbishment men are good," he says. "They know that jobs don't *last* forever, and that they can move to other good sites, in the organisation or out of it."

Whitty owns 70 per cent of his business and is financial director, accountant David Walker, the other 30 per cent. So far, he has not needed outside financing, except a £700,000 overdraft facility from the Natwest on which he is currently renegotiating to get the limit raised to £1m.

Now he sees a massive amount of work in prospect and expects to get a fair share of it, aided by a broad range of in-house refurbishment specialities, which help to keep his overall tender prices keen.

He is also exploring the idea of outside involvement. "Eventually we will have to let some of the company go," he says, "maybe within two or three years." An Unlisted Securities Market quotation, or a private placing with institutions are among the ideas floating out from City of London sources.

WILLIAM COCHRANE

Putting a 'top hat' on it

A SPECTACULAR way of extending existing buildings upwards is being pioneered by Premier Construction of Blackburn, one of Britain's leading manufacturers of timber, prefabricated buildings.

Its new "top hat" system involves factory-building a complete new storey which is then hoisted on to the top of an *existing building, the first* being a drawing office for Manchester consultants R. W. Gregory and Partners.

"We nearly bought Manchester to a standstill in putting it up," *says Brian Cottam,* Premier's managing director, talking of sightseers rather than operational disruption. "We made it in five pieces, weighing eight tons each, on the factory floor and lifted it into place with a 40-ton crane."

Cottam claims "top hat" life expectancy is "no less than that for any other orthodox structure"; floor loading of 140 lbs per sq ft, "capable of accepting computers"; relatively little weight on existing foundations and the ability to turn a two-storey ugly duckling into "a beautiful, three-storey job."

"Since delivering the system," he says, "we have noticed hundreds of buildings mainly *in the large inner city areas* where similar structures could be erected with ease."

Winning with partitions

THERE IS money in religion. DCB Integration Systems, winners of the Partitioning Industry Association national award for craftsmanship for 1982-83, have taken it with a *£200,000* contract to fit out new premises for the World Wide Church of God at Elstree.

Glen Breaden, managing director of DCB, notes that the job was a pretty comprehensive one. But an important element in the cost was extensive finishing in Rio Rosewood hanging panels — where one panel measuring six feet by four comes to around £650.

This is the second year running that DCB, founded by chairman Derek Breaden, has won a top award from the PIA. Last year it took a Class 1 award for the design and fitting out from scratch of a new self-contained, four-floor Harrow office block for Millipore UK, the British arm of an international chemicals company.

CONTRACTS

Tarmac wins £11m orders

Contracts worth more than £11m have been awarded to **TARMAC CONSTRUCTION**. The largest, at just over £7m, is a management fee contract for phase three of demolishing and rebuilding the Heelas store, Reading, for John Lewis Properties. Work is scheduled to take nearly two years and will be carried out by Cubitts Management Con*tracts, part of Tarmac Regional* Construction.

Other contracts awarded to Cubitts companies include fitting out a supermarket in Cromwell Road, London, for J. Sainsbury (£1.5m); a single-storey mail distribution building at Liverpool Airport, for the Post Office (£600,000); alterations and adaptations to form new Red Star offices at Bristol, for the British Railways Board (£419,000); and external repairs and repainting of 388 homes at Halewood, Merseyside, for Knowsley Metropolitan Borough Council *(£355,000).*

Tarmac Regional Construction contracts include modernising 107 homes at Rotherham, for Rotherham Metropolitan Borough Council (£718,000); and designing and constructing a coal stocking area as Blyth, Northumberland, for the Central Electricity Generating Board (£500,000).

★

PRESS CONSTRUCTION has won another mains and service paying contract for West Midlands Gas. Worth around £5m, the two-year contract starts in April. The company's distribution region will lay mains and services and carry out repairs in the Dudley and Sandwell districts and in southern and eastern parts of Birmingham.

★

Two contracts have been awarded to **DAVID ROOFING** (part of the Amsteel Group). British Leyland has ordered £125,000 worth of work at its Pressed Steel Fisher premises at Swindon, Wilts. It will involve stripping the existing roof, reinsulating the waterproofing, and using the Monoform system.

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

TODAY

COMPANY MEETINGS—

Allied Residential, Dorland House, 14-16 Regent Street (Lower), SW, 11.30
Authority Invests, Cadogan Hotel, 75 Sloane Street, SW, 12.00
Automated Security (Hldgs), Security House, 259 City Road, EC, 12.00
Baynes (Charles), 6 East Park Road, Blackburn, Lancashire, 12.00
Booth (Charles), 243 Knightsbridge, SW, 9.30
Camellia Invests, Athenaeum Hotel, 116 Piccadilly, W, 11.00
Home Charm, Institute of Chartered Accountants, Copthall Avenue, EC, 11.00
Macallan-Glenlivet, Macallan-Glenlivet Distillery, Craigellachie, Banffshire, 10.00
North Surrey Water Co, The Causeway, Staines, Middlesex, 11.00
Olympia (Redacre), Crest Mill, Queensway, Castleton, Rochdale, Lancashire, 10.00
Scottish Eastern Invest Tst, 29 Charlotte Square, Edinburgh, 12.30
Trafford Carpets (Hldgs), Mosley Road, Trafford Park, Manchester, 10.00

BOARD MEETINGS—

Finals:
Bodycote Intnl
Caird (A.)
Hammerson Prop Invest and Devpt
Haskins & Horton

Brown Shipley Intntl Currency Fund Pf 4.75p
Bruntons (Musselburgh) 6.25p
City and Foreign Invest 1p
Consolidated Plantations Berhad 5 Sen
Continental Microwave (Hldgs) 2p
Cookson Group 7pcPf 1.225p
Cowan de Groot 10½pcPf 5.25p
Dow Chemical 45 cts
Dundee and London Invest Tst 5pcPf 1.75p
East Lancashire Paper Group 1.84p
Edinburgh Invest Tst 6¾pcDb 1990-95 3⅜pc
Ellerman Lines 6¼pcPfd 2.1875p. 4½pc Pf 1.575p. 5½pcPf 1.925p
Ellis and Everard 7¼pcDb 1987-92 3⅝pc
Exchequer 14pc 1986 7pc
First Scottish American Tst 3.75p
General Stockholders Invest Tst 5½pcPf 1.925p
Genfinance NV Fltg Rate 1987 $260.58
Grindlays Hldgs 3.125p
Guildhall Property Co 6pcPf 2.1p
Hall Engineering (Hldgs) 4.2p
Hanover Invests (Hldgs) 1.15p
Harrisons Malaysian Plantations Berhad 8 Sen
Haynes Publishing Group 3.5p
Heinz (H. J.) 4½pcPf 1990 1.575p
Heywood Williams Group 8pcPf 1.4p
Howden Group 1.46p. 7¾pcDb 1986-91 3⅞pc. 8¼pcDb 1986-91 4⅛pc

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INSURANCE

Results bear out fears about 1982

BY ERIC SHORT

THE UK insurance companies have all reported their results for 1982. The aggregate figures present a clear picture of general insurance operations in various parts of the world.

The table shows that, overall, UK composites are operating at losses on their general insurance underwriting in all the main countries in which they transact business. The fears expressed at the begining of last year, that 1982 would be a very difficult year for the UK insurance industry, have been borne out.

Total underwriting losses of the seven main UK composite insurance companies—Commercial Union (CU), Eagle Star, General Accident (GA), Guardian Royal Exchange (GRE), Phoenix, Royal and Sun Alliance—almost doubled, from £457.1m to £851.2m.

The deterioration in the U.S.—the largest national insurance market—came as no surprise. The insurance market in that country has been declining for several years and the prospect of recovery is receding into the future. The UK companies operating in the U.S. saw their premium income rise by 9 per cent, but underwriting losses jump by nearly 150 per cent overall.

All the composites' results sharply deteriorated from the previous year, except those of Phoenix, which also had a very poor year in 1981. CU was hit very hard. Losses more than doubled from £85.6m to £198m last year, and represented more than half the aggregate losses in the U.S. of the seven composites. GA and GRE showed results better than those for the U.S. insurance industry as a whole and the margin was slim for both companies.

A decline in the UK insurance market was expected in 1982, as the companies competed for business in a static market. But the size of the fall—an eightfold deterioration in underwriting losses, from £33.7m to £275.5m — was not foreseen. Premium income of the seven composites rose by only 6 per cent in 1982 — a growth rate less than the average inflation rate for the year.

The underlying trend of insurancse operations in the UK was adverse. Increasing competition, particularly from overseas insurance companies coming into the UK, joined the effect of the recession and resulted in falling premium income and rising claims and expense ratios for commercial property, liability and motor business. GA and Phoenix were severely hit in their UK business. GA dropped from virtually break-even in 1981 to losses of £72.7m in 1982—more than one quarter of the overall UK losses for the seven companies.

Investment income continued buoyant in 1982. Companies continued to benefit from high interest rates and income grew by more than 20 per cent, to £1.15bn. Even this improvement did not offset the underwriting deterioration, so pre-tax profits of the seven companies fell by nearly 30 per cent, from £576.8m to £411m, and net profits by a slightly smaller percentage, from £365.1m to £280m. Even so, dividends were increased by all the composites, except CU and Phoenix.

What are the prospects for 1983? The year started well in the UK, with a comparatively mild winter, though the U.S. has been hit by adverse weather and Australia by bush fires. One positive sign is that of hardening rates in commercial business. However, competition for personal business is expected to intensify this year in the UK and the U.S.

The results for 1983 depend on rate increases made in 1982. The action being taken this year will have its effect in 1984. Thus the stockbroker W. Greenwell expects underwriting losses of the seven composites to rise further this year, with business in the U.S. and the UK resulting in an increase of overall losses in 1983 of about 7½ per cent to £920m. Rowe and Pitman is forecasting a slightly lower rise, to £900m. But this further deterioration could be covered by a continued rise of investment income, and pre-tax profits should swell by 30 per cent, to about £540m—a total still below that of 1981.

CU, Royal and GA will report their first-quarter results in three weeks. The market will then be able to judge whether 1982 was indeed the low point for insurance company misfortunes, and whether 1983 is to mark the start of the recovery.

AGGREGATE UNDERWRITING LOSSES OF THE SEVEN MAIN UK COMPOSITES

Area	1982 £m	1981 £m	Change per cent
UK	275.5	33.7	+718
U.S.	362.4	147.2	+146
Canada	53.8	110.0	− 50
Australia	29.9	70.3	− 60
Europe	65.0	33.3	+ 95
Rest of world	64.6	62.6	+ 3
TOTAL	851.2	457.1	+ 86

Source: W Greenwell

Parliamentary diary

TODAY: Commons: Finance Bill, Committee. Motions relating to the National Health Service (Charges for Drugs and Appliances) Amendment Regulations.

Lords: Nuclear Material (Offences) Bill, Third Reading. Plant Varieties Bill, Consideration of Commons Amendments. Miscellaneous Financial Provisions Bill, Second Reading. Debate on the First Report of the Science and Technology Committee on the Water Industry. Unstarred Question on the sending of unsolicited material on the disarmament debate to educational institutions.

TOMORROW: Commons: Opposition Day—Debate on an Opposition Motion on the Government attack on local government and community services. Motions relating to the National Health Service (Charges to Overseas Visitors) Amendment Regulations.

Lords: Car Tax Bill, Second Reading. Value Added Tax Bill, Second Reading. Housing and Building Control Bill, Committee. Dogs (Northern Ireland) Order, Motion for Approval.

Select committees: Environment—Subject: Problems of Management of Urban Renewal. Witnesses: Halifax Building Society; Building Society Association (Room 15, 4.15 pm).

Foreign Affairs: Overseas Development Sub-Committee—Subject: Supply Estimates 1983-84 (Class II, Vote 10); Support for Overseas Students. Witnesses: UK Council for Overseas Student Affairs; Overseas Student Trust (Room 18, 5.30 pm).

Private Bill Committee—Glenn and Gutteridge, Leicester (Crematorium) Bill (Room 5, 10.30 am).

WEDNESDAY: Commons: Finance Bill, Committee until about 7 pm, followed by Education (Fees and Awards) Bill, Second Reading.

Lords: Short debate on the Second Report of the Brandt Commission, short debate on the publication "The Public/Private Mix for Health," and unstarred question on the opticians monopoly.

Select committees: Industry and Trade—Subject: Follow-up meeting with British Leyland. Witnesses: Sir Austin Bide and senior BL executives (Room 16, 10.30 am).

Scottish Affairs—Subject: Dampness in Housing. Witnesses: Mr Allan Stewart MP, Scottish Home Affairs and Environment Minister (Room 19, 10.30 am).

Welsh Affairs—Subject: Scrutiny of Welsh Office Quangos. Witness: Land Authority for Wales (Room 15, 10.30 am).

Transport — Subject: Bus Subsidy Policy. Witnesses: Association of Metropolitan Authorities and Transport and General Workers Union (Room 17, 4.15 pm).

Employment — Subject: Equal Pay Order. Witness: Rt Hon Michael Alison MP, Minister of State for Employment (Room 6, 4.30 pm). Consolidation Bills (Joint Committee)—Subject: Medical Bill (Room 4, 4.30 pm).

Private Bill Committee—Glenn and Gutteridge, Leicester (Crematorium) Bill (Room 5, 10.30 am).

THURSDAY: Commons: Finance Bill, Completion of Committee stage. Motion on European documents 10657/82 on Vocational Training Policies and 10326/82 on the European Social Fund.

Lords: Matrimonial Homes Bill, Mental Health Bill and Pilotage Bill, consideration of Commons Amendments. Ports (Reduction of Debt) Bill, Committee. Supplementary Benefit (Requirements) (Long Term Rates) Amendment Regulations 1983, motion for approval. Misuse of Drugs Act 1971 (Modification) Order 1983, Motion for Approval.

Select committee: Private Bill Committee—Glenn and Gutteridge, Leicester (Crematorium) Bill (Room 5, 10.30 am).

FRIDAY: Commons: Private Members' Bills.

Falklands charge lifted by Barclays

BARCLAYS BANKS is no longer to charge a commission for exchanging the Falklands pound into sterling following servicement in the Falklands that they have been losing out when exchanging money sent home.

From today, the Falklands pound will be exchanged at par with the pound sterling.

The normal commission for exchanging 10 Falklands pounds has worked out at 50p.

THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

Arnold Kransdorff reports on the poor foreign language ability of UK executives

An easier way to communicate

EVELYN Johnson was rather proud of herself the other day. She queried her restaurant bill and got it reduced.

The reason was not that she had managed to overcome her natural discomfiture about arguing with waiters in front of clients. It was that the waiter did not speak any English and that she had managed to converse with him entirely in his native language in Italy.

A similar thing happened to Brian Jagger while on a business trip to the Argentine. Buying a pair of shoes, he managed to explain exactly what he wanted—in Spanish.

Johnson and Jagger are two very unusual people in British industry: they went to the trouble of learning a foreign language—in Johnson's case to keep an overseas contract and Jagger to advance his career.

They are among a minority of British executives who have any foreign language proficiency, a state of affairs often cited as an explanation for the UK's poor export record.

Up-to-date statistics are difficult to come by but a 1979 study by the Betro Trust, a body set up by The Royal Society of Arts to promote the UK's overseas trade, found that only 60 per cent of companies surveyed considered foreign language ability a considerable advantage for export salesmen.

Almost 60 per cent of export salesmen and about 40 per cent of sales managers could not speak a foreign language, it found. In addition, 90 per cent of respondents seldom or never corresponded in anything but English.

To get overseas business, British companies generally rely on interpreters, foreign agents or the ability—and willingness—of overseas customers to speak English. A few also depend on using their bi-lingual secretaries.

For Johnson, who owns and runs London Executive Aviation, a small, specialised air charter business, the decision to learn another language was made about two years ago when she signed a contract to develop Anglo-Tuscan air traffic through the new Tassignana Airport at Lucca, near Pisa.

She felt it would be "an ex- to the meeting with an interpreter and later vowed to learn Italian.

She felt it would be an expression of our intent, and would help us keep what could turn out to be a quite lucrative arrangement in the long run."

A 12-week crash course costing £1,100 at the language centre of Manchester Business School was her answer. She estimates that today, she knows about 500 Italian words. "Conversationally, I can have a stab, although I still need a translator for complicated negotiations."

To Jagger, a 48-year-old executive with the Tootal textiles group, learning Spanish has been an investment for the future. Working as financial controller for the company's international division, he feels it is important for him to speak more than just English.

It was only when he joined Tootal in 1974 that languages started to become a relevant feature of his business life. Then, when in 1981 Tootal decided to make what became an abortive investment in the Argentine Jagger was involved in evaluating the deal. Subsequently, when Tootal decided to pull out after the local economy started deteriorating, he spent 11 weeks in Buenos Aires doing the paperwork to extricate the company.

"That period gave me the incentive to learn Spanish, especially as Tootal has other interests in South America," he says.

Jagger also enrolled at Manchester Business School, choosing a £600 course over six months. "Now I can get by with everyday requirements in Spanish-speaking South American countries," says Jagger.

The established business schools are a growing source of language tuition for companies. Most specialise in European languages but some also offer tongues like Japanese and Chinese and, in the University of Aston's case, Russian.

Cranfield School of Management, for example, has had a language department for about seven years, specialising in French and German.

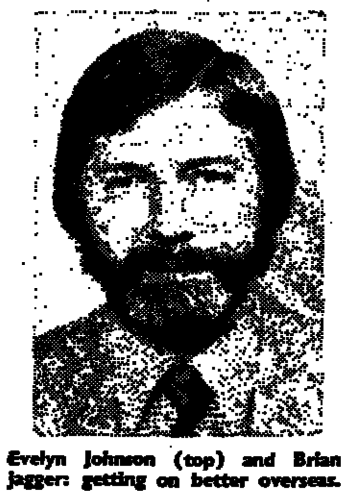
Manchester Business School is a relative newcomer to the executive market for language learning. In 1982 it handled around 90 businessmen but this year it is budgeting for fewer—only about 55—because of the recession.

Michael Woodhall, director of its language learning centre, says: "With a few notable exceptions, British companies generally don't have an enlightened policy towards foreign languages, either in recruitment or management development. At best, some might use tapes or get a French girl to come in once a week."

Perhaps the best record for language teaching is held by the High Street banks, most of which have sophisticated in-house facilities.

While foreign languages are also taught at most polytechnics, the most popular source of language tuition for companies is still the many hundreds of private schools, the largest being Berlitz.

An example of a smaller establishment is the Executive Language Centre in Executive Language Centre in Piccadilly, run by Carol Osborn, a Frenchwoman living in the UK with her English husband. In the seven years she has been established she has taught the full range of European languages and more exotic ones like Arabic, Russian, Turkish and Chinese to a wide selection of clients like BP, Unilever, *Chloride* and Guinness.



Evelyn Johnson (top) and Brian Jagger: getting on better overseas.

For beach think of pliers

MIKE Grunenberg confesses to hating foreign languages—but claims to be able to teach them faster than anyone else.

A psychologist by profession, he has developed a teaching technique which Thomson Holidays, his first client, admits has cut the amount of time needed to learn a basic vocabulary and grammar by no less than 70 per cent.

Instead of the classical grammatical approach or the technique of structured listening and repetition used by many schools and language laboratories, Grunenberg uses a psychologically-based method with a heavy reliance on imagery.

Its most remarkable aspect is that Grunenberg has designed it without an in-depth knowledge of any foreign language. Grunenberg admits to speaking only a smattering of German—he has a German-speaking mother and took the language for the Scottish equivalent of his "O" Levels some 25 years ago.

Grunenberg, who describes himself as a memory expert rather than a language expert, says: "I haven't had to be a linguist to draw up these courses, although language specialists are brought in to advise me on the linguistic correctness of pronunciation and grammar.

"Designing the courses is more an abstract exercise to fit a rather special formula. The beauty of the technique is that it can be applied to almost any language."

For want of a simple description, Grunenberg's technique incorporates a sophisticated mnemonic approach to language learning that he calls Linkword, the name he has given his new language school in London's Fulham Road. His aim is to teach executives how to communicate with foreign clients on an elementary social and business level.

Grunenberg says that his method involves linking foreign words to acoustically-similar English words which mainly give a visual rather than a verbal association.

He explains: "The Spanish for beach is playa, pronounced ply-ya. I tell students to imagine pliers scattered over a beach. The effect is that it makes the recall of the Spanish word easier."

Mike Grunenberg

Peter Marsh, training manager for Thomson Holidays, is impressed enough with Grunenberg's technique to want to continue using Linkwood in parallel with the company's existing in-house language training courses.

"We are very keen on languages here at Thomson and were initially very sceptical when we were first approached. However, we agreed to be guinea pigs and gave Grunenberg six managers who needed to learn Spanish.

"It took around 12 hours to teach them about 400 words and a basic grammar, a regime that would normally take about 40 hours using traditional techniques."

To test the system, Marsh brought in an independent consultant—now working for Berlitz, the language laboratory — who had previously helped Thomson develop its own in-house language courses. He reported that the six managers made no mistakes in finding the English equivalents for Spanish words, and telling the time. In translating from English to Spanish, they made four minor mistakes.

"At the end of the three-day course we were amazed, particularly at the 95 per cent recall and the high level of motivation of the managers concerned," says Marsh.

Grunenberg's language school has been set up in partnership with a former psychologist colleague, Dr Alan Beaton, and brother Tony, who owns an office cleaning company. A three-day course costs about £220.

When Nestlé had the right facts but wrong market

BY CARLA RAPOPORT

HELMUT Maucher, chief executive of Nestlé, the Swiss food giant, had a sinking feeling about New Cookery. But the range of healthy, low-calorie foods was backed by extensive market research, which promised fantastic results. The foods were duly launched in the U.S. two years ago with the support of generous advertising and promotional budgets.

Today, New Cookery is just an unpleasant memory. "Unfortunately, I was right," says Maucher. "The research was completely correct—Americans do want to lose weight and eat healthier foods, he says. But the New Cookery products were only good, not outstanding. According to Mr Maucher, no amount of promotion or research could make American consumers eat something just because it was good for them.

It doesn't matter how healthy it is for him, if you are selling someone as a convenience food a product that he can as easily prepare himself, "he won't eat it unless he's sick," says the Nestlé chief. The lesson cost Nestlé between $5m and $10m, he says.

New Cookery's flop helped to convince Maucher that his company spent too much money and too much time on market research. Since he became chief executive 16 months ago, he has cut back sharply on what he calls "intellectual staff work." He insists that Nestlé doesn't need large market staff units. It simply needs good products and good salesmen.

A case in point is Lean Cuisine from Stouffers, Nestlé's U.S. frozen food subsidiary. "Lean Cuisine is fantastic. Unlike New Cookery, it tastes *delicious*, but *it's* also convenient and it's good for you." He wouldn't give away sales, but said that since its recent launch in the U.S., Lean Cuisine has been among Stouffer's fastest growing product lines.

Maucher admits that Stouffer's low-calorie budget for market research enhances the subsidiary's high standing within Nestlé. It is understood that Stouffer has been spending between $500,000 and $600,000 a year for its market research. Nestlé's prime U.S. subsidiary, Nestlé Enterprises, with only twice the turnover of Stouffer, is understood to have been spending a whopping $8m a year on research. Even so, Nestlé has been significantly underperforming Stouffer on profits and sales growth.

❛ A lot of market research is done in order to convince others of one's own conviction. Most of what is being done is of very little use ❜

Nestlé in the U.S. had 25 people trying to invent things, he says, and more people trying to find out if consumers liked them. It's much better to decide there's a market for some product, say something savoury, he says, and then have the best people, people who know food, make it for you. "If you take a product out to people, you'll never find out if they like it or not," he says.

"A lot of market research is done in order to convince others of one's own conviction. Most of what is being done is of very little use," he says. Instead, the 56-year chief executive argues that the salesman's role should be enhanced.

"Product and marketing staff units have succeeded in convincing management to place them one step above the salesman in pay. This has to be changed." And he's not impressed with advanced degrees for any of these jobs. Academic qualifications shouldn't prevent a man from being successful, he says with a smile. But they often lead to frustration from the highly trained individual who starts in sales and expects to leap into management.

"I look into their eyes, not their files," he says of new applicants for jobs.

Just a few days ago, a preliminary report card on Maucher's management ideas arrived in the form of nicely increased profits for 1982. Although someway from Nestlé's oft-stated goal of a 5 per cent return on sales, net income increased by 14 per cent, pushing the net margin to 4 per cent from 3.5 per cent in 1981.

The improvement came from lower interest rates, the disposal of a number of loss-making activities and tighter control on costs across the board, says the company. Cutbacks on market research have been part of the tighter control on costs and the chief executive says that his vigilance in this area will continue.

Even so, research is by no means a dirty word at Nestlé. The overall research budget in relation to sales has increased by two points in the last year. (With characteristic Swiss secrecy, Maucher won't say what the percentage is, but Nestlé's turnover of SwFr27bn, means that one percentage point of sales translates into SwFr 270m.)

The recipients of this increase are Nestlé's basic research into nutrition and food science and the company's product development research. The latter, Maucher emphasises, is aimed at improving the quality of existing products and extending their possible uses.

And these products he aims to sell. "We need more people who can sell. I do not mind if they are intelligent, I also don't mind if they understand normal business, sometimes even without market research."

THE ARTS

Modern Jazz Quartet/Dominion

Kevin Henriques

Attending the Saturday concert by the Modern Jazz Quartet was not so much a case of *déjà vu* as *déjà entendu*. For a major portion of the two-hour programme comprised compositions the group, formed in 1952, played on its first tour here in 1957 and on subsequent visits until it disbanded in 1974.

Now together again—for a variety of reasons—on a basis which will allow each member ample time each year to pursue his own musical inclinations, the quartet seems resigned, and probably obligated, to retread the deeply rutted path of its past successes.

Opening with the fragrant, fragile "Under the Jasmine Tree," the quartet sped on to a couple of items from the film "One Never Knows" including, inevitably, "The Golden Striker," and to the equally familiar "Willow weep for me." Only an unaccompanied and plaintive "Nature Boy" by vibraharpist Milt Jackson struck a welcome note of deviation from the musty repertoire until the first half's concluding set-piece, "Sacha's March," a feature for drummer Connie Kay and mercifully not prolonged.

The second half did produce some new compositions by the MJQ's leader and guiding light, John Lewis including "That Slavic Smile" and a bizarre piece of trivia based on English dance rhythms, "Hornpipe for the Queen." Lewis's own solo feature was another golden oldie from the MJQ's vaults, "Milano," in which his spare, restricted, almost one-handed, style was fully exhibited.

Bassist Percy Heath, clearly the most animated of the four quietly playing musicians, had an energetic workout on his own piece, "The Watergate Blues" and, within the restrictions of the MJQ's formula, produced the most riveting playing of the concert.

Needless to say the performances of the four musicians were as impeccable as ever. The refined music, with its counter-melodies, pianissimo dynamics, shadings, echoes of European classical music and fugal style, does have its attractions. The MJQ's music remains highly organised, logical and above all restrained. It is all very pretty and all very clever. But, as in the quartet's golden days, the doubt surfaces in the hearts and minds of many jazz-lovers — is it really jazz? The debate will continue to rage and, of course, remain unresolved. For myself, I regard the MJQ's music as jazz without balls.

Obituary/Earl 'Fatha' Hines

Kevin Henriques

Earl "Fatha" Hines, who has died aged 77, was one of the few remaining umbilical links with the early days of jazz. Additionally he was probably the most influential pianist jazz has seen and, unlike many figures in the music, remained a powerful influence to the end of his playing life.

Earl Kenneth Hines was born in Duquesne, part of Pittsburgh, on December 28, 1905 and his formative years pointed him towards a career in classical music. But by his mid-teens he was playing a much different style—in clubs. By 1924 he was working in Chicago where his career really began blossoming as he worked with the city's foremost bands. It was here he met Louis Armstrong and in 1928 the two made the famous Hot Five recordings which established Hines as the leading jazz pianist of the time.

Following these historic records Hines began a period spanning over 10 years in which he led a band at the Grand Terrace Ballroom in Chicago (it was while there that a radio announcer, almost by accident, gave him the sobriquet "Fatha"). In the early 1940s, after breaking up his band, he re-formed and his new line-up reflected the momentous changes taking place in jazz at that time. Such modernists as Charlie Parker, Dizzy Gillespie, Wardell Gray and Billy Eckstine passed through his ranks. Hines finally cut loose from big bands in the mid-1940s after almost two decades as a leader.

His activities in the next 15 years included almost four with the Louis Armstrong All-Stars, a long residency in San Francisco and his first visit to Britain in 1957. A relatively quiet spell during which he worked mainly on the West Coast and also opened a short-lived night club in Oakland, California, which had become his home town, ended in 1964 when he played some triumphant New York concert dates. From then on, with tours to Europe, Russia and Japan among the highlights, Earl Hines continually showed that years had not dimmed the brilliance of his piano conception.

As well as touring this country as featured guest with local bands he did several residencies with his own small group at Ronnie Scott's Club in London where, in his final appearances, his long involvement with show business presentation ever increasingly manifest itself. But whenever he played, whatever the circumstances, Hines proved to the end that he remained a complete keyboard master. Though he could be flashy—on occasions he made a speciality of an exasperatingly long drawn-out right hand tremolo—his style was never dated. He had a firm, two-handed attack.

His huge span enabled him to cover a tenth. His way of playing combined broken bass rhythms, treble octaves and trumpet-like melodic ideas together produced a truly individual style.

His unpredictable changes of pace and direction were truly mouth-opening and only the finest of bassists and drummers could accompany him. His direct influence on pianists remained until the 1940s when along came such innovators as Bud Powell and Thelonious Monk. Yet even today Hines is the most frequently-named influence by pianists all over the world.

Barclays Bank to sponsor GTO

For the first time in Glyndebourne Touring Opera's 16 years' of existence, a single major supporter, Barclays Bank, has undertaken to sponsor the whole of its tour.

This support is pledged for a two-year period, covering the 1983 and 1984 tours.

The association between Barclays Bank and GTO through occasional support in past years has now taken on a new dimension and will substantially help to meet GTO's anticipated deficit, which still remains after Arts Council subsidy and box office revenue.

Tom Stoppard is making a new English translation of Prokofiev's *L'Amour des Trois Oranges* specially for the performances by GTO this autumn.

Architecture

Colin Amery

The threatened art of conservation

While Parliament is pondering the Bill introduced last November to create a new agency to deal with all the problems concerned with historic buildings Mrs Jennifer Jenkins has just published the 30th annual report of the Historic Buildings Council.

Mrs Jenkins is a wonderful woman. She has been the most successful chairman of the Historic Buildings Council, totally devoting herself to a cause which often achieves its results only after endless and tedious battles with bureaucracy. She has presided over this key body in the conservation world at a time when concern for the past has grown in the public mind and evolved into a reasonably effective legal and bureaucratic system of protection under governments of all persuasions.

Mrs Jenkins's council will lose its powers and responsibilities to the new, and clumsily named, Historic Buildings and Monuments Commission as soon as the Act is passed.

Writing the 30th report in a somewhat Damoclean atmosphere obviously caused Mrs Jenkins to think even more seriously than usual about the whole nature of the conservation and protection of our built heritage. When the HBC, as it is fondly known, was set up in 1953 its principal task was to try to protect the great country houses in that awkward post-war, pre-TV Brideshead era. The stalwart, unpaid members of the council, who are a good mixture of historians, architects and aesthetes have moved into the far less rarefied world of the Conservation Area, Capital Transfer Tax and links with Local Authorities.

In 1953 the initial grant budget was £250,000, by the April of 1982 more than £35m had been offered in grants for outstanding individual buildings. During the last year (1981-82) nearly £7m was available for grants to historic buildings—for private owners the Council's grant is worth some 40 per cent of the total cost of repairs.

In one important area the HBC has not been able to exert a strong enough influence on the Chancellor and the men at the Customs and Excise, although it is not for want of trying. VAT is imposed on building repairs but not on new buildings, alterations and demolitions. A way must be found to remove VAT from the repairs that are essential for the upkeep of listed historic buildings. It would also help the owners of historic buildings if the cost of repairs could be set against income-tax liability. Mrs Jenkins is also keen to see the introduction of tax incentives for companies that may have under their care listed buildings that are empty and need conversion.

Whether this could apply to British Rail, now the largest single owner of listed structures (644 in 1982), must depend on the speed with which railway buildings become redundant. British Rail carries a huge burden but it is significant that the Council's report considers that a little more money spent on preventative maintenance may save much larger bills later in the day.

Hugh Routledge

Near Christ Church, Spitalfields, on the edge of the City: another Georgian house bites the dust

Churches in use now receive grants from the Government despite the continued existence of the tiresome Ecclesiastical Exemption from listed buildings controls. From 1977 to the end of March 1982 over £9m has been granted to churches. The grant now only pays for 40 per cent of the cost of the repair, but it has been a valuable stimulus to the fund-raising efforts of congregations.

One outstanding problem remains — many churches are still declared redundant and, during the period needed to see whether or not a future new use can be found for them, are left unprotected and subject to vandalism. Furniture and fittings often disappear and turn up in the antique markets. This is a problem for the Church and the HBC to resolve as soon as possible because so many redundant churches are in inner city areas where they are most vulnerable.

On the positive side, this year's report shows that ecclesiastical buildings that are as varied as a Victorian Arts and Crafts church in Essex and a Calvinist chapel in Sussex now receive help and protection.

Mrs Jenkins is right to feel that there is a widening of interest in conservation and that concern is now felt, not just by the experts, but by the public as a whole when any part of the built heritage is threatened. She is right to try to extend the protection of the law to historic gardens as well as to whole areas of historic towns. She is also right to be concerned about the need for adequate finance for the new Heritage Commission. There is no doubt in my mind, and in the mind of a lot of people who have worked with her, that Mrs Jenkins is far and away the best person to be the Chairman of the new body. Mr Tom King should appoint her without delay.

This report engenders a spirit of positive confidence about the political and financial climate of building conservation. A recent case, right on the fringes of the city, shows how badly things can go wrong.

Two Georgian houses on Brushfield Street, on the edge of Spitalfields Market, in the heart of the Spitalfields Conservation Area, have suffered from a mixture of neglect, fire and now demolition. They once had good interiors and have always been important as part of the mainly surviving Georgian approach to the great church of Christ Church, Spitalfields. There has been a great deal of talk about the construction of replicas while both the Georgian Group and the Spitalfields Trust have always maintained that reconstruction and repair was possible.

It is these minor buildings, and there are plenty of examples in other cities, that need more protection and a more imaginative approach by planning officers. It is late in the day for these houses but it is encouraging that the GLC may insist that the listed buildings be repaired and that the City's new Historical Buildings Architect, Mr John Fidler, will insist on restoration.

When the Wind Blows/Whitehall

Michael Coveney

As the nuclear debate engulfs the world, so there are signs at last of the theatre making its contribution by dealing in a few hard facts. Like what happens to the survivors: in Raymond Briggs's version of his own powerful picture book (to be re-issued by Penguin on May 26, price £1.95), Hilda and Jim Bloggs crouch waiting for the end in their brown paper bags with nothing to drink, their gums bleeding, hair falling out, beset by piles and vomiting fits and messy blue blotches that are transforming their limbs into something resembling gorgonzola cheese left out in the rain.

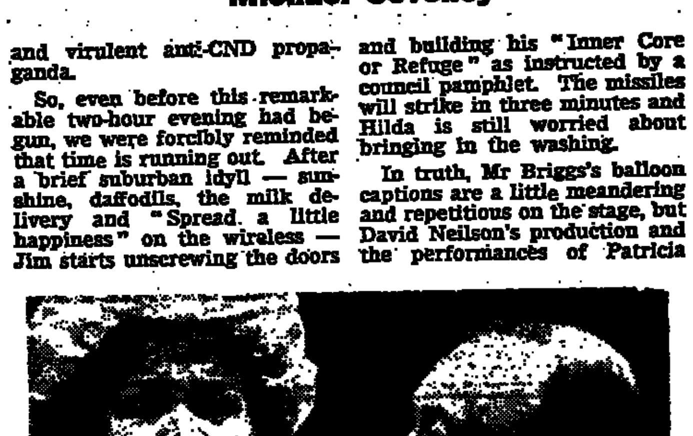
This is a far cry from a recent anti-nuclear musical that considered the holocaust in terms of a heroine's unstable psychological condition and an even further one from Beckett's cool and limpid aftermath on a grey volcano. I can hardly imagine arriving at a theatre for Beckett's poetic treatise and being assailed in the street by pre-recorded patriotic fanfares and virulent anti-CND propaganda.

So, even before this remarkable two-hour evening had begun, we were forcibly reminded that time is running out. After a brief suburban idyll — sunshine, daffodils, the milk delivery and "Spread a little happiness" on the wireless — Jim starts unscrewing the doors and building his "Inner Core or Refuge" as instructed by a council pamphlet. The missiles will strike in three minutes and Hilda is still worried about bringing in the washing.

In truth, Mr Briggs's balloon captions are a little meandering and repetitious on the stage, but David Neilson's production and the performances of Patricia Routledge and Ken Jones miss hardly a single ironic inflection before the theatre is invaded by a tremendous rumbling, the sound of shattering glass, a blood red plasma above the idealised suburban rooftop and a bleak, chill sense of devastation under clouds of lethal dust.

Mr Jones offers an endearing portrait of beaming gullibility and finical adherence to the wisdom of the powers that be, while Miss Routledge modulates her natural comic exuberance in a wonderful performance as a woman who refuses to believe what is happening until she discovers rats in the lavatory (her scream at this point is met by Jim with the remark "I'll pop down to Willis's in the morning").

Mr Briggs's couple is observed with detached, even grim, affection, their ordinary existence an occasion for satire untinged with loathing. Their love for each other is beyond question, their predicament no laughing matter whatsoever.



Alastair Muir

Patricia Routledge and Ken Jones

Domus/Purcell Room

Andrew Clements

Domus have at least one thing that separates them from the pack of young chamber ensembles queuing for dates in the Wigmore Hall and the Purcell Room: they travel around with their own auditorium, a geodesic dome that they put up themselves, seating 200. They have successfully installed it for seasons at the Cheltenham Festival and several London parks, and are due next month at the Bath Festival, but their concert on Friday took place in the more austere surroundings of the Purcell Room.

The group, its core consisting of a piano quartet, was formed four years ago at the International Musicians Seminar at Prussia Cove in Cornwall. They play a wide variety of music, and not the least success of their Purcell Room programme was its air of relaxed informality, a lack of ceremony that belied the high standard of the music-making. The mixture of Mozart (the B flat piano trio K.502), Fauré (the C minor piano quartet) with Jean Francaix's early trio and a realisation of a section of Stockhausen's *Tierkreis*, was nicely judged, and presented with charm and imagination.

At a specifically musical level, the instrumental blend is attractive, without any attempt at homogeneity. The violinist Krysta Osostowicz has a slightly aggressive tone married to impeccable intonation, while her string partners are less forthcoming; indeed Felix Wurman's cello line was sometimes insufficiently forceful in the Mozart trio, leaving the effect of unsatisfying lightness in tuttis. Susan Tomes appeared as a pianist in the 1982 PLG Young Artists series; it was around her musicality that much of this programme pivoted, generous of phrasing and warm of tone, a fine foil for the violinist's acidity.

Francaix's trio is a rarity, written when the composer was 19. The neoclassicisms had already been absorbed by then, and turned upon themselves to considerable effect; the music is genuinely witty and was dispatched by Domus with excellent comic timing, but appreciation was tempered by the knowledge that the self-conscious *enfant terrible* who wrote it never did grow into any serious maturity. The realisation of *Tierkreis* actually succeeded in something that one had previously thought impossible, making an interesting and sustained piece out of one of Stockhausen's thinnest inspirations. Domus chose four melodies corresponding to their own birthsigns and wove them into a continuous structure with tasteful and varied harmonisations, imaginatively scored and never (save perhaps marginally in the finale, a version of "Scorpio") stretching the material too far. A group that one would like to hear again, more appropriately in their own unique environment.

Antony and Cleopatra/Young Vic

Michael Coveney

There are now two comparatively small London theatres offering Shakespeare's great historical tragedy to eager hordes of A-level students. All things considered, I have no hesitation in recommending the Young Vic's version in preference to that of the RSC at the Pit (all performances are sold out there, anyway).

Helen Mirren is a much more satisfying Cleopatra, but Judy Parfitt's reading at the Young Vic is lucidly spoken, intelligent and even moving in its own quiet way. She is skittish after the European manner of her Madame Ranevskaya a few years back, but she is a handsome; lithe and elegant woman, blessed with startled, frightened eyes and a shock of auburn curls that put me in mind of a pre-Raphaelite Theda Bara.

Whereas Michael Gambon at the RSC is a grizzled warrior to the manner born, Keith Baxter, an actor who is accepting middle age with effective good grace after years of dubious blond juvenility, presents the role in a much more variegated blend of colours.

The exotic swirl of the piece is excitingly maintained in Keith Hack's production, and he has the advantage over Adrian Noble, the director in the Pit, of the Young Vic's deceptive spaciousness, its permanent upper levels and its choice of approach routes to the stage area.

Mr Hack's designer, Voytek, has provided a simple yet stunning design emblem to encompass the world of the play. This is a huge decapitated martial figure (not unlike John Gunter's version of Michelangelo's David in the National's *Lorenzaccio*) whose golden, spangled cloak of war spills down from above to provide a floor cloth. I was less happy with the winching of dead Antony up to Cleopatra's monument where celestial clouds and sunshine suggest a background to some iconographical medieval painting.

The Young Vic cast is, on the whole, stronger than at the Pit. Barry Stanton's massive Enobarbus gives the RSC's Bob Peck a good chase to the winning tape. Brian Deacon is a most expressive and even attractive Octavius, finding real emotional force in his disappointment at his sister's arranged marriage with Antony. This is an area of the play that suffers slightly from Emma Piper's doubling of Octavia with Charmian. But she invests the latter role with a lot of flirtatious detail, dying almost on the kiss of a gaoler.

Jeffery Kissoon doubles as an exotic Eros and a leather-clad Pompey, while Stephen Lewis's Lepidus is a very funny, shadowy third party in the triumvirate. The whole show has a movement and energy missing at the RSC and should be of great benefit to school parties.

Buxton Festival plans announced

Boccaccio's "Decameron" provides the theme for this year's Buxton Festival, which runs from July 23 to August 7. Both operas in the festival, *La Colombe* by Charles Gounod and *Griselda* by Antonio Vivaldi, are taken from stories in "The Decameron." This will be the first time a Vivaldi opera has been professionally staged in Britain.

Other highlights of the festival include the world premiere of a children's opera by Herbert Chappell, based on the story "James and the Giant Peach," by Ronald Dahl.

Leland Chen, the recent winner of the Yehudi Menuhin International Violin Competition, will feature as the soloist at a concert by Manchester Camerata on the last day of the festival.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

April 22–28

Music

ZURICH

Tonhalle (2011580): Christina Grossniklaus, soprano, Hans-Rudolf Matbach, guitar, Erwin Nowak, violin. Couperin, Loriti, Oritz, Monteverdi and others (Mon 6pm); Tonhalle Orchestra conducted by Christoph Eschenbach. Schoenberg and Brahms (Tue); Tonhalle Orchestra. Mozart and Bruckner (Wed).

LONDON

Monteverdi Choir and English Baroque Soloists conducted by John Eliot Gardiner. Handel's Israel in Egypt. Barbican Hall (6388891). (Tue).

London Philharmonic Orchestra and Choir conducted by Jesus Lopez-Cobos with soloists including Margaret Price, soprano. Verdi Requiem. Royal Festival Hall (Tue). (9283191).

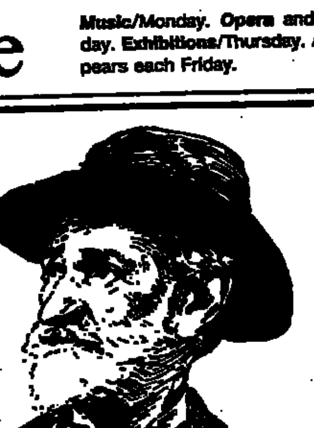
Chilingirian String Quartet with Ian Jewel, viola and Steven Isserlis. Brahms sextets. Queen Elizabeth Hall (9283191). (Tue).

BBC Symphony Orchestra conducted by Kurt Sanderling with John Lill, piano. Lyadov, Prokofiev and Tchaikovsky. Royal Festival Hall (Wed).

Alfred Brendel, piano. Beethoven sonatas. Queen Elizabeth Hall (Wed).

City of London Sinfonia with Richard Hickox Singers conducted by Richard Hickox. Bach. Barbican Hall (Wed).

Royal Philharmonic Orchestra conducted by Yehudi Menuhin with Ian Partridge, tenor and Barry Tuckwell, horn. Vaughan Williams, Grieg, Britten and Dvorak. Royal Festival Hall (Thur).



Verdi Requiem, at the Royal Festival Hall, London

NEW YORK

New York Philharmonic, Zubin Mehta conducting. Jessye Norman soprano, John Cheek bass, Hans Hotter narrator with the Westminster Choir. Schoenberg (Tue): Zubin Mehta conducting Horacio Gutierrez piano: Schubert, Schoenberg, Debussy, Chopin (Thur). Avery Fisher Hall (8742424).

San Francisco Symphony Orchestra: Edo de Waart conducting, Alicia de Larrocha piano. Haydn, Picker, Rachmaninoff (Wed); Mozart, Bruckner (Thur). Carnegie Hall (2477459).

Orpheus, Heinz Hollinger oboe Haydn, Bach, Strauss, Tchaikovsky (Mon) Carnegie Hall (2477459).

American Composers Orchestra: Michael Tilson Thomas conducting, Phyllis Bryn Julson soprano, Jesse Levine viola. Tison Street, Ernst Krenek, John Adams, Morton Feldman, David del Tredici (Mon). Alice Tully Hall, Lincoln Center (3621911).

Carnegie Recital Hall: Da Capo Chamber Players. Stern, Stock, Tower, Trombly, Wuorinen, Wyner (Thur). (2477459).

Merkin Hall: Ars Musica, Lyndon Lawless director. All Bach programme (Mon); Baroque Invention, Lionel Party harpsichord. Bach, Vivaldi, Satie, Rameau (Wed) (67th St W. of Broadway, 3628719).

WASHINGTON

London Symphony Orchestra: Claudio Abbado conducting. Webern, Elgar, Mahler (Thur). Concert Hall, Kennedy Center (2543776).

CHICAGO

Chicago Symphony: Raymond Leppard conducting, Jan Degaetani mezzo soprano. Britten, Maxwell Davies, Bax, Elgar (Thur). Orchestra Hall (4358122).

PARIS

Nouvel Orchestre Philharmonique conducted by Henri Farge: Michael Haydn, Mozart (Tue). Saint-Germain-des-Pres Church (2603184).

Udo Reinemann baritone, with Yury Boukoff, piano: Brahms, Mahler, Wolf (Wed) Salle Gaveau (5632030).

Radio France – Orchestre National de France conducted by Zdenek Macal, Frederic Cambreling, harp, Patrick Gallois, flute: Pascal Dusapin, Mozart, Ravel (Wed). Theatre des Champs Elysées (7234777).

Nouvel Orchestre Philharmonique conducted by Roberto Abbado: Girolamo Arrigo – Casanova's Return with the Radio France Choir (Wed). Radio France, Grand Auditorium (5241516).

Radio France – Nouvel Orchestre Philharmonique conducted by Stanislaw Skrowaczewski. Bella Davidovich, piano: Mendelssohn, Bruckner (Thur). Theatre des Champs Elysées (7234777).

Orchestre Colonne conducted by Hans Wallat. Rene Kollo, Tenor: Wagner, Beethoven (Mon) TMP – Chatelet (2611983).

Maria Tipo, piano: Goldberg Variations (Mon). Theatre des Champs Elysées (7234777)

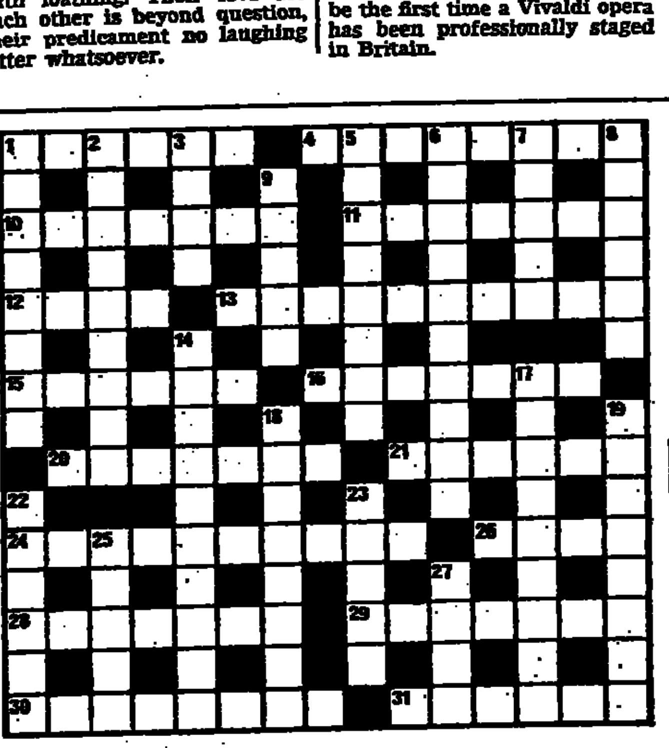
Peter Schreier, Walter Olbertz, piano: Brahms, Schumann (Mon) Theatre de l'Athenée (7426727).

VIENNA

Musikverein (658190): Alfred Brendel, piano. Beethoven Sonatas (Mon); Beaux Arts Trio, Haydn, Schumann, Brahms (Tue and Wed); Brahms Liebeslieder. Soloists, Edith Mathis, Brigitte Fassbänder, Peter Schreier, Walter Berry, piano. (Thur).

Konzerthaus (721211): Garrick Ohlsson, piano. Haydn, Brahms, Debussy and Chopin (Mon); Vienna Symphony Orchestra, conductor Francis Travis. Wagner (Thur).

F.T. CROSSWORD PUZZLE No. 5,155



ACROSS

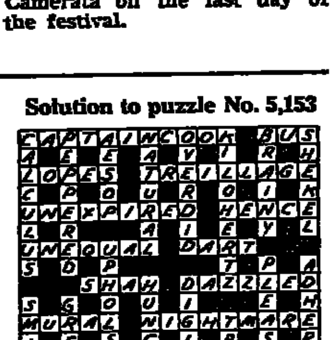
1 Lose colour when receiving bill? (Outward appearance) (6)
4 Is effect of sun mainly showing inconsistency here (8)
10 Teach me to destroy a weapon (7)
11 Exceptionally sent in beginning of essay — really eager (7)
12 Interpret significance on advertisement (4)
13 Ugly sister and novelist meeting as part of course? (10)
15 Sponge? Henry's back taking in money (6)
16 Small squares seen in Italy? (7)
20 Pity a company can show obtuseness (7)
21 Quiet group of clubs not including English? Bother! (6)
24 Study money — notes (odds only) put on table (10)
26 Cigar's ending when objections come back (4)
28 Produces watery effect in crowds? (4-3)
29 Drink more irregularly as a leader (7)
30 The girl's in the smaller number showing no fat (8)
31 Add to eight, we hear? (6)

DOWN

1 It's always near to the activity (8)
2 Bird has a large ring and is crowing (4-1-4)
3 Plant coming up for animals (4)
5 Artist is in mean surroundings, often at sea (5-3)
6 Team has a way, performing at home (5, 5)
7 Expression of surprise when gambling (5)
8 Room for free movement (6)
9 Wader seen in bad weather only (5)
14 Becoming popular, grasping (8, 2)
17 Insignificant time but a great distance (5, 4)
18 Writing in capitals often does (8)
19 Right mob in trouble, rounded by dog. A dog? (8)
22 Alec at distillation used in perfumes (6)
23 Headgear going up—including society store (5)
25 Many a sailor takes in a lake (5)
27 The beginnings of every poem, including collections of poetry (4)

The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.

Solution to puzzle No. 5,153



FINANCIAL TIMES
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Telephone: 01-248 8000
Monday April 25 1983

Outlook for Williamsburg

FEW top-level meetings have been anticipated with less excitement than the forthcoming economic summit at Williamsburg. President Reagan has been determined from the start that this should be an intimate, informal meeting of minds, aimed at understanding rather than decisions and communiqués. This approach is frustrating for the civil servants concerned, who have been able to muster little in the way of pre-negotiation, and does not seem to appeal to the orderly-minded French and Germans. It could, however, prove fruitful on the view, which we strongly support, that a greater consensus on objectives is required before any details can even be sketched.

The meeting really will be intimate: only the seven leaders and the President of the European Commission will be in the room, with interpreters out of sight in a studio, and no record-takers. The shadowy agenda for this prolonged conversation is limited only to broad headings, but does seem to have been changing in a helpful way in recent weeks.

The Americans no longer seem bent on a confrontation over East bloc trade, which will presumably be left to the normal diplomatic discourtesies. The French are resigned to the fact that the time is not ripe for their proposal to reimpose a formal exchange rate regime on the world, and some of the highly individual proposals which Mr Nakasone had threatened to introduce have reportedly been heavily diluted. There is thus a much greater chance that the talks will be devoted to topics on which there is some hope of a consensus.

Stability

There are two headings here of over-riding importance: currency stability coupled with policy convergence, and trade liberalisation. The first topic is clearly very close to the heart of our own Chancellor, Sir Geoffrey Howe, though it is not clear how far the Prime Minister shares this preoccupation. The good news is that the Americans are now much readier than before to give priority to stabler exchange rates, and may acknowledge the need to trim domestic policies to this end.

This is a great stride forward from the position last year, when the Americans grudgingly agreed to a technical study of currency intervention for smoothing purposes, and still further from the year before, when they confidently believed that the market would deliver realistic and stable rates unaided, given adequate monetary control.

The *fact* is that exchange rates will be neither stable nor realistic unless adjustments are made—and sometimes very painful ones—to achieve an appropriate balance of fiscal and monetary policies. The Europeans at the summit have learned this the hard way. The machinery to monitor such questions in the wider trading world was established at the last summit at Versailles, in the surveillance committee of the five countries whose currencies make up the SDR, under IMF chairmanship. Little has come of this so far, because the political commitment was lacking. One result of Williamsburg may be that this surveillance will become a serious matter and a real influence on policy.

Complacent

It would be foolish to expect any quick results, though. It is always harder to agree on the details of burden-sharing than on the principle. Furthermore, the U.S. Administration, whose fiscal deficit is generally regarded outside the U.S. as the major block on the road to stability and lower interest rates, is feeling rather complacent at the moment. It believes that it has at last started a steady recovery which will in due course reduce the deficit, increase the earnings of debtor countries, and so reduce interest rates. Those more sceptical can only wait and see.

Meanwhile, the continued U.S. commitment to free trade, despite an over-valued dollar, is admirable and welcome, and deserves support. An initiative to arrest the present drift to subsidy and protection, especially in favour of developing countries, would be the most constructive agreement which could emerge from Williamsburg, and it is at least a possibility. That would be well worth the journey.

Civil Service recruitment

THE CIVIL SERVICE is worried by last week's report by Sir Alec Atkinson, a former top civil servant, that too few people of the right kind are applying for its so-called fast stream posts which offer fast promotion to senior rank.

Sir Alec makes clear that the ability wanted extends beyond success in academic examinations. While intellectual competence is one of the attributes required, it need not be of the order associated with the highest classes of honours degree. What the report terms personal and managerial qualities and motivation are equally important. In the words of Mr Dennis Trevelyan, head of the Civil Service Commission responsible for recruitment: "Civil servants now have to come out of their ivory towers to defend themselves before parliamentary select committees and even—God protect them!—to give press conferences."

The immediate cause of the shortage is that business and other organisations are competing successfully for the same young people. The report therefore proposes improvements such as less longwinded selection procedures and stronger links with polytechnics as well as universities to make the service more attractive.

Although its relative position in the market may be enhanced by such measures, they scarcely address an apparently fundamental question. Why is an education system costing taxpayers almost £14bn a year failing to produce enough people with the required combination of intellectual adequacy, keenness, organising skill and personability to go round?

A plausible answer is that the increase in numbers obtaining examination certificates of one sort or another has been achieved by education at the cost of neglecting the development of other than academic aptitudes.

Stress

For the more scholarly pupils, especially, stress on studying as individuals to pass exams often excludes their playing team games which are a means of promoting another ability esteemed by the report—that of working with others in a disciplined way towards a collective goal. The same stress encourages early specialisation in a particular branch of studies. Most concentrate on arts so as to emerge from education lacking the numeracy increasingly important in all managers. The Prime Minister, a forceful advocate of numeracy in her senior civil servants, will frown at the report's disclosure that people who have studied science and technology constitute only about one in ten of those who apply and also of the smaller number who are chosen for the fast stream appointments.

Mrs Thatcher must nevertheless take some of the blame for the *lack of young candidates* with the right combination of talents for management. Although her Education Ministers have done more than their predecessors to start useful change, they have done so only marginally.

The more successful scholars will probably shun the technical and vocational courses to be provided for older pupils in secondary schools, since the courses will not end in an exam pass of the type needed for entry to higher education. The one university evidently wishing to loosen the hold of academic examinations — Salford, which is considering the use of other criteria for the recruitment of a fifth of its students—is also the university receiving least financial encouragement from the University Grants Committee.

Potential

Sir Keith Joseph, Secretary for Education and Science, plans to reserve some of the Treasury funds hitherto spent entirely at the discretion of the local education authorities directly responsible for state schools and distribute it in grants specifically for innovative projects. The sum to be spent in that way will be limited to 0.5 per cent of the total funds available.

Much of the creative potential of installing computers in all schools is liable to be lost because of the inadequate training in the use of computers being given to teachers at the critical primary-school stage.

Such halting steps are insufficient for the progress towards a technologically advanced, economically thriving nation which the Government wishes to achieve. It is to be hoped that now the ill effects have reached the Civil Service, Ministers will institute the necessary major reforms which similar complaints made previously by other employers have failed to inspire.

ARMS SALES AND THE U.S.

Europe's patience wears thin

By Bridget Bloom, Defence Correspondent

TO THE amazement of his European counterparts, Mr Richard Perle, the U.S. Assistant Secretary of Defence for international security policy, arrived in Europe not long ago with a Soviet sonar device packed in his suitcase. The device incorporated advanced Western microprocessor technology.

Mr Perle, whom the U.S. Press long ago dubbed the Prince of Darkness, is a man West European officials—and companies—love to hate. But he was, and is, determined to prove his contention that there is a "virtual haemorrhage of strategic technology," much of it from Europe, to the Soviet bloc.

According to Mr Perle, the Soviet Union has narrowed its technological gap with the West from 10 to two years in several critical areas, thanks to the acquisition of certain key technologies from the West. The sonar device, he wasted no time in pointing out wherever he went, may well be the forerunner of the one that will pick up the so far undetectable new American Trident submarine.

Mr Perle's visit, and the European reaction to it, tellingly illustrates the deep frustration the U.S. and its European allies feel with each other these days as they try to conduct their relations with the Soviet bloc. In its 34 year existence, the Nato alliance has rarely been free of strain. But rarely has it had to cope with so many divisive issues at once.

Quite apart from the aftermath of Afghanistan, the differences over Poland, the row over the Soviet pipeline sanctions, and the all-pervading issue of nuclear missiles, there are now three other specific areas of conflict. They alarm businessmen, soldiers and diplomats, as well as politicians and peace movements.

They are all expected to get a thorough airing at a two-day top level conference on *industrial collaboration within Nato* which opens in Brussels today.

The first, the most visible and most predictable, is the unequal trade between the U.S. and Europe in defence equipment, exacerbated by what a British minister recently categorised as "rampant protectionism" in the U.S. Congress.

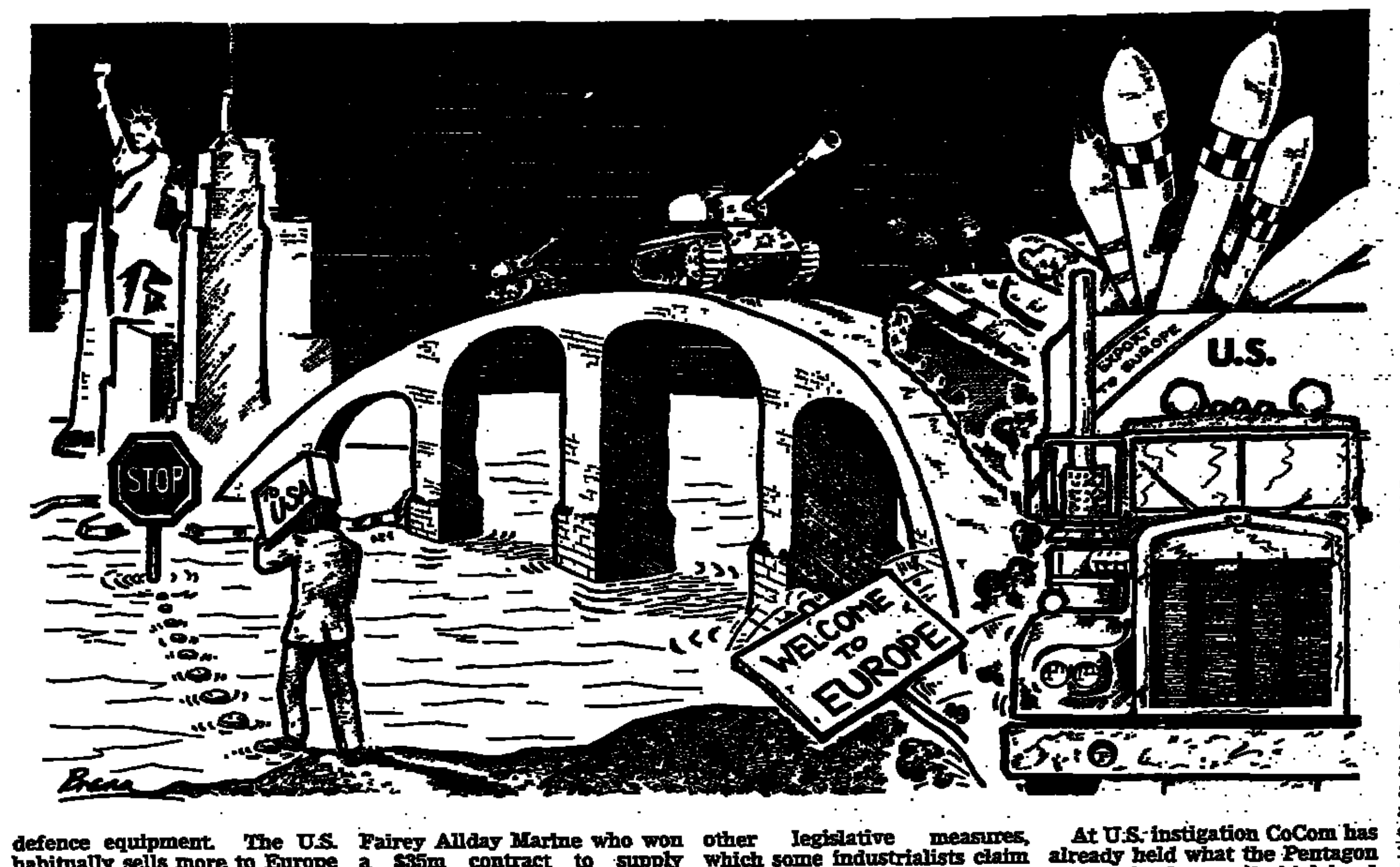
The second problem, and possibly the one which most immediately threatens alliance cohesion, is the growing U.S. anxiety that western technology is being needlessly and dangerously transferred to the countries of the Warsaw Pact.

Finally, there is increasing concern in Europe that new U.S. battle tactics, involving a new generation of high technology weapons, will not only push Europe's defence trade with the U.S. even further into deficit but could also undermine long accepted *military doctrines* within Nato.

At the heart of the problem over what is dubbed the "two-way street" in defence trade is the long-standing deficit between Europe and the U.S. in defence equipment. The U.S. habitually sells more to Europe than it buys from it. Attempts to correct the imbalance through government intervention—notably the signature of Memorandums of Understanding in the mid-1970s—have had only a marginal effect.

Europe's growing irritation at the current state of affairs, where the U.S. on average sells seven times as much to its European allies as it imports from them—is summed up in the cartoon on this page based on one originally produced for a Dutch company's house magazine.

Many European companies feel this frustration although their executives are often chary of making complaints public. *Virtually every major European defence-orientated company* — from British Aerospace or Marconi Avionics in Britain to Messerschmitt - Bolkow - Blohm (MBB) or M.A.N. in West Germany — has substantial business with the U.S. directly or in partnership with U.S. companies.



Initiatives to stem the technology 'haemorrhage'

BAe, for example, has British industry's only major whole weapons systems contracts: for the Hawk pilot trainer, which could be worth some £600m ultimately and for the AV8B version of the Harrier vertical *take-off aircraft*.

Other smaller companies often have a proportionately larger stake in the U.S. market. A number of actual or potential contracts are currently in jeopardy such as that with Fairey Allday Marine who won a $35m contract to supply combat support boats to the U.S. Army but could now be prevented from even competing in the $80m follow-on contract.

Mr Geoffrey Pattie, Britain's minister responsible for defence procurement, has recently become a spokesman for European frustration — even though Britain manages to sell comparatively more to the U.S. than other European countries.

Full official figures are not published, but Mr Pattie estimates that, partly as a result of the Defence Ministry's sustained campaign to make the 1975 Memorandum work, the balance is now only 2:1 in the U.S. favour—on quite a surprisingly small amount, for while total UK exports to the U.S. last year were some £7.5bn and imports amounted to £6.6bn, defence exports last year were said to be about £150m and imports (including those for Britain's nuclear deterrent) some £300m-£350m, plus £60m-£100m of special imports for the *Falklands war. (The 2:1 ratio* could worsen for Britain when Trident missiles purchases rise.)

Mr Pattie lists protectionist measures by Congress and "restrictionism" by the U.S. Administration as responsible for serious obstacles to defence trade.

He cites as the grossest current British example the Martin-Baker Company of Denham, whose contract to supply ejector seats for the U.S. Navy's new F18A aircraft (potentially worth £90m-£150m over 15 years) was won in open com*petition—only to be overturned* by Congress who ordered the Navy to produce plans to use a U.S.-built seat.

The MoD lists some half dozen other contracts similarly threatened—and half a dozen other legislative measures, which some industrialists claim could effectively close the U.S. market to foreign component manufacturers.

Some defence *officials* in *Washington* and Europe believe that companies and politicians alike have exaggerated the effects of congressional legislation. But others argue that what has so far been a difficult but containable problem is now entering a distinctly new and more dangerous phase.

They charge that the Reagan Administration, in its drive to tighten the transfer of defence-related technology to the Warsaw Pact, is also further undermining the two-way street. In Washington, Pentagon officials deny that their policy is designed to have—or will have—an adverse effect on Europe or alliance co-operation.

It is a policy which is pursued with enthusiasm by a dedicated Pentagon team. Mr Perle is credited with instigating what a British official termed a "barrage of initia*tives" to stem the technology* "haemorrhage." U.S. export controls have been toughened. A new customs body, known as Exodus, has been given a $25m budget. It halted 1100 shipments worth $71m in its first year, Mr Perle says.

The international focus of Mr Perle's efforts has been CoCom—the Co-ordinating Committee for Multilateral Export Controls, a shadowy post-war Paris-based body of officials which co-ordinates the Western embargo on technological exports to the Warsaw Pact.

Mr Perle wants CoCom greatly strengthened: currently it has a budget of a mere $500,000 and works out of offices "next to the plumbing" in the basement of the U.S. Paris embassy, with only a handful of staff.

At U.S. instigation CoCom has already held what the Pentagon says is the first really high-level meeting in 25 years. It holds another next week. On its controversial agenda will be U.S. proposals to treble the budget, greatly extend the lists of embargoed exports and to establish a military sub-committee to monitor civilian tech-

Fears that the two-way street will be one-way

nologies for their possible military application. Only the U.S. supports this. Earlier this month, there were dark hints in the Pentagon that President Reagan will raise the subject at the Williamsburg summit.

European governments are chary of these initiatives. Few disagree in principle with the U.S. proposition that the Soviet military build-up has been aided *by technology transfer from the* West and that controls could be more effective. But governments fear that Washington would use the controls it seeks as a blunderbuss, harming legitimate trade and undermining diplomatic relations with the Warsaw Pact.

Paradoxically, officials and businessmen are also worried that the proposed U.S. measures, which are meant to enhance Nato strength, could actually undermine it by toughening the transfer of technology within the Alliance. European officials maintain that the *Pentagon* is zealously scrutinising agreements between U.S. and European companies in order to tighten the rules on technology transfer.

They allege that key data has been withheld on certain collaborative ventures between U.S. and European defence *industries*, because of these tightening rules. They also maintain that European-owned companies in the U.S. are deprived of contracts involving equipment on the classified list.

British officials cite two examples where major British companies—*Marconi* Space and Defence Systems and Thorn-EMI—have bought U.S. defence contracting companies to increase their competitive standing in the U.S. only to find that the companies' security classifications have been lowered, narrowing their range of biddable contracts.

Some of these detailed criticisms are refuted by Pentagon officials, and it is argued with justification that tensions over the two-way street could diminish with full U.S. economic recovery. Pentagon *officials note that* the Administration has already urged Congress to ease the restrictions on the Martin Baker company, for example.

But the underlying tensions arising from these unresolved problems, especially when set against the unease in the transatlantic relationship as a whole, are palpable. They are dangerously close to being reinforced by a third, also so far largely unpublicised issue, this time related to the military uses of new or emerging technology.

The nub of the "ET" issue is that new weapons are on the horizon which could make it very much easier for Nato to withstand an attack by the much larger conventional forces of the Warsaw Pact without resorting almost immediately to the use of nuclear weapons.

It is clear, from interviews in the Pentagon, that there are still divisions within the U.S. on how far and how fast development of these new weapons, some approaching Star Wars complexity, should go.

But there is no doubt that a broad spectrum of U.S. Government and military opinion—from Mr Weinberger, the Chiefs of Staff and General Rogers down—believes that Nato forces must be modernised with the aid of the new technologies. For its part European Nato is worried—not so much because its leaders *do not see sense in* employing new technologies if these will genuinely help to resolve some of the military dilemmas facing the alliance but principally because they fear that the U.S. may try to steamroller its new ideas through before their military applicability and political implications (for example for arms control or for the current doctrine of the forward defence of West Germany) have been thoroughly examined.

European defence industries have their worries too—for while Europe is, *for example*, developing some of the technologies for guided munitions, they fear U.S. predominance in the field could result in the tentative two-way street becoming irrevocably one-way.

Men & Matters

Equities man

A merchant banker who is also a qualified accountant, who has seen the funds under his management during the past five years grow from £1bn to more than £4bn, and who can also speak passable Chinese, would seem to have that little extra which is sought when top jobs are being handed round.

The man is Peter Gray, aged 46. His record has secured him the managing directorship of Touche Remnant, the fast-growing fund management group. He will take over later this year when George Hague retires.

After *Marlborough*, Trinity College, Cambridge, the School of Oriental and African Studies, London, and National Service, his career has seen him in the Foreign Office (briefly), merchant bank S. G. Warburg, accountants Coopers and Lybrand, and merchant bank *Samuel Montagu*.

Since 1977 he has been working at the Crown Agents as head of the investment division. During his time with the Agents the funds under management rose more than fourfold, and he says "They are now by far the biggest managers of inter*national bond portfolios* in Britain."

Gray's arrival at Puddle Dock, Touche Remnant's new hq by the Mermaid Theatre, reflects the fact that the company is now in the big league with some £2bn of funds under its management, and needs a management *organisation of its own* with commensurate strength.

Chairman Lord Remnant, aged 52, intends to leave Grey to get on with the job as chief executive while Remnant himself will continue to chair his family company. Remnant says "As the business has expanded we have moved from being a co-operative to becoming a profit-centred organisation. Also, the whole character of investment trust management has become much more aggressively minded than it used to be."

Gray sees himself as "by instinct an equities man." At the Crown Agents he was responsible for about £800m worth of equities. At Touche Remnant his equities portfolio will be worth nearly twice as much.

No change

We've all heard of the individual caught with his hand in the till.

An enterprising amusement arcade owner, Gary Parkin of Jersey, is now catching the cheats in his slot machines.

What he has done is invent a device, with the technical assistance of his staff, which responds to a dud coin in a slot machine by locking all the slots. The attendants therefore know that the last user is the guilty party.

Apparently the problem of 10p pieces being doctored to perform as 50p pieces in slot machines has been reaching epidemic proportions. One holiday camp operator has been forced to put the change-giving mechanism on some 15,000 of its amusement machines out of action while pondering a solution.

Parkin, who has fitted many of his 300 machines with the gadget says, "Someone was nipping in here every Friday and picking up about £60 in wages by using doctored 10p coins to obtain change."

Now Parkin might find himself earning an unexpected bonus if a manufacturer takes up the idea to make it under licence.

Village life

The latest contribution to getting-away-from-it-all is a complete village to be built in the Lake District and owned by "townies," and regular visitors from Europe and America, on a time-sharing basis.

For a week or two a year you will be able to become a

"I'm glad the Lemmings are getting the blame for once instead of us Sloths."

property-owning Lakeland villager—at a price. It is likely that ownership of a typical cottage for one week a year on a lease of 80 years will set you back between £3,000 and £7,000 depending upon the time of the year chosen.

The chance to time-share some country roots is being given by the Kenning Motor Group and Robert M. Douglas Holdings, the builders, who intend to spend £20m over five years in partnership creating Lakeland Village just a mile or so south of Lake Windermere.

The site is the old Dolly Blue works at *Backbarrow—which* catches the eye of passing motorists because the blue dye used in the process at the old mill has coloured the stonework in spectacular fashion.

New cottages are to be built in Lakeland stone and slate. The mill itself, purchased from Reckitt and Colman, will become a hotel and conference centre.

American Robert Rose, managing director of Atlantic Time Ownership has been called in to act as consultant on the planning of the village and its marketing, using the time-sharing way. He is already running a similar time-shared village in Marbella called Atlantic's Marbesa.

Local opinion is running strongly in favour of Lakeland Village, he tells me, because it will provide at least 150 new permanent jobs and will at the same time remove an unused industrial eyesore.

If you plan to become an instant Lakelander I understand life need not be too onerous. There will be a glass-enclosed bridge to protect these modern rustics from the elements as they cross a road from the hotel to a health centre.

And if village life becomes just a little slow it will be possible to while away the time watching real workers at work. Such activities as carpentry, leatherworking, baking, and candle-making will be established in the village as commercial enterprises.

Dead pan

A touch of Jewish humour is lightening the long running political, economic, and industrial, three-pronged argument in Israel whether to channel seawater to the Dead Sea, the lowest place on earth.

The idea is to make the desert bloom and generate a handsome quantity of electricity.

The first scheme to link the Mediterranean with the Dead Sea was known as Med-Dead.

Now a second idea to make the link with the Red Sea instead is being known as—Better Red than Med.

Recurring figure

"There's *only one man in a* million who really understands what's wrong with the economy, old boy."

"I agree — and isn't it amazing how often one meets him?"

Observer

INDIA'S FEDERAL STRUCTURE

The cracks are widening

By K. K. Sharma, recently in Amritsar

SURROUNDED BY followers in blue turbans and white robes, with religious "kirpans" (daggers) slung over their shoulders, a 35-year-old Sikh lies languidly on his wooden bed in a small dark room in the famous golden temple in Amritsar.

Jarnail Singh Bhindranwala sports a flowing black beard and stares through piercing black eyes set in a gaunt face. "Anyone who accepts anything less than our demands will be punished by the faith — they will be done away with," he says.

The faithful who surround him nod in agreement with their militant leader. Bhindranwala has not left the temple for more than a year. Implicated in murders, raids on armouries and armed attacks, the Sikh leader faces immediate arrest if he stirs out of his sanctuary in the holy city where gun-battles between Sikhs and para-military forces have already heightened tensions.

Bhindranwala is an extremist. More moderate Sikh leaders are distressed and puzzled at the sudden violent turn that their three-year agitation for religious and political rights has taken. Until two years ago, the occasional hijacking of Indian Airlines aircraft and Sikh-Hindu clashes were dismissed as merely the action of cranks.

More than any other factor, language has proved divisive

Now the Sikh protest is an organised, militant and bloody affair, turning the strategically-placed state of the Punjab, which borders Pakistan and is the granary of India, into yet another threat to the country's unity.

The growing strains on the country's federal set-up manifest themselves in armed insurrection, as in the Punjab; in communal violence, as in India's remote north-east state of Assam; and in the growth of regional parties which, in elections in two southern states—Andhra Pradesh and Karnataka—heavily defeated the ruling Congress (I) Party recently.

At the weekend, extremists among the Sikh leaders in Amritsar blocked moves to resume talks between the Indian Government and the Akali Party—the political arm of the Sikhs—to discuss more autonomy for the Punjab.

The extremists, some of whom seek the creation of a "Khalistan"—homeland of the Sikhs—turned down a proposal from Mrs Indira Gandhi, the Indian Prime Minister, that Mr Harchand Singh Longowal, the Akali president, should visit New Delhi for the talks. Instead, they insisted that Mrs Gandhi should come to Amritsar.

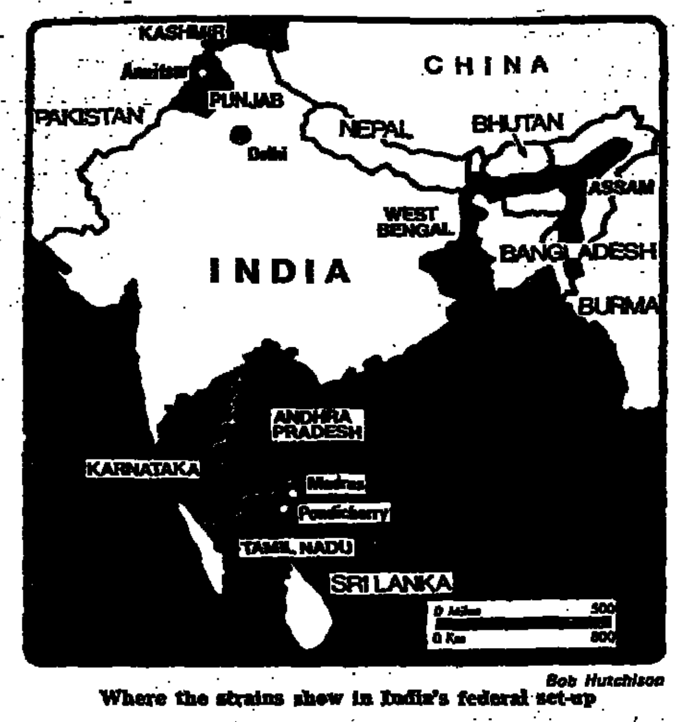
India's federal structure has always been fragile, ever since the trauma of partition in 1947. But the recent upsurge in regionalism is threatening to undermine not only Mrs Indira Gandhi's standing as Prime Minister and head of the Congress (I), but also the ability of the central government effectively to rule over India's disparate 22 states.

Separatist or regional movements based on caste, ethnic or religious causes are hardly surprising in a country of 22 states where 14 entirely different languages, excluding English, are spoken and officially recognised. Nearly all the states were originally formed on a linguistic basis. It is language, more than any other factor, which has proved to be particularly divisive.

Ethnic, cultural and religious differences among the 700m people of India accentuate the enormous problems involved in keeping intact a country of its size and diversity. These provide ready ammunition for politicians who exploit and often exacerbate the emotions that each of these differences arouse.

Secessionist movements began soon after India became independent in 1947 when the Dravida Munnentra Kazzagham (DMK) openly preached an independent state of Madras. Even before independence, the former princely states of Hyderabad, Kashmir and Travancore preferred to continue as independent countries.

However, it is a matter of considerable pride to India's leaders that the country has up to now withstood many of the strains and challenges, albeit with increasing difficulty. In times of natural disasters or war—India has fought four wars in the last four decades — the communities have sunk their differences and demonstrated they can unite in crises.



Bob Hutchison

Where the strains show in India's federal set-up

This is mostly due to the personalities of the powerful leaders who have recognised the dangers of the divisive forces and committed themselves to protecting India's unity. Mrs Gandhi, like her father Jawaharlal Nehru, India's first Prime Minister, considers maintenance of the country's integrity as vital. Unlike her father, however, she faces new challenges in the form of strong regional and political groupings led by personalities with large followings of their own.

The rise of powerful regional parties coincides with—and many claim is due to—the disintegration of the Congress Party as a national force. Shorn of the last vestiges of the momentum of the freedom struggle, Mrs Gandhi's Congress (I) appears to have lost its way and—the Prime Minister's critics claim—has been reduced to a vehicle for perpetuating the dynasty begun by her father.

Many regional Congress leaders blame Mrs Gandhi's apparent choice of her elder son, Rajiv, as her future successor on the party's decline. She denies this and blames them for being corrupt and unresponsive. Whatever the truth, the party suffers, and this encourages the growth of regional power.

Until now the most ominous symptoms of this have been the armed insurrections in many of the turbulent tribal states in the remote North-East and the bloody communal strife being witnessed in Assam.

But last month four South Indian Chief Ministers who are not members of Mrs Gandhi's ruling Congress (I) Party, formed a regional council, bringing together Andhra Pradesh, Karnataka, Tamil Nadu and Pondicherry. In Delhi Mrs Gandhi's party reacted in virtual panic as if its southern opponents had declared war on India.

"If all chief ministers hold meetings like this it would be an extra-constitutional step," said Mr C. M. Stephen, general secretary of Congress (I) and a close lieutenant of Mrs Gandhi.

The move by the southern Chief Ministers jogged Mrs Gandhi into hastily announcing the formation of a commission to inquire into relations between the central government and the states.

But the disease is proving contagious. In the northern state of Kashmir, which also borders Pakistan, the last Sheikh Mohammed Abdullah's son, Dr Farooq Abdullah, has been leading a similar move.

Dr Abdullah says the Chief Ministers of northern states should form their own regional council. Kashmir is to hold elections to its legislature next month. Mrs Gandhi's Congress (I) will contest every seat against Dr Abdullah's National Conference Party.

His call has not received any response yet from other northern states which are ruled by the Congress (I). But northern Chief Ministers "trade union" could become a reality if Marxist West Bengal and the Punjab decide to respond positively.

However, in a surprise development at the weekend, Dr Abdullah called for an electoral agreement between his party and Mrs Gandhi's Congress (I).

Nevertheless, there are all the ingredients of a confrontation which could have far-reaching effects on the structure of India's polity. The Indian constitution lays down the areas in which the central and state governments function.

Since all of India's prime ministers have been supporters of a strong central government, the states complain that their autonomy has been steadily eroded over the years, making them embarrassingly dependent on the whims of the leaders and bureaucrats in New Delhi.

This has been done by the simple expedient of appropriating financial powers to the central government, often leaving the states to stand in line for their share of funds. These are disbursed in terms of a formula prescribed every five years by successive Finance Commissions. The states say that this has strengthened the centre's powers while diluting their own.

Two examples will illustrate this: first, the role of the planning commission—which has no constitutional status—in allotting the central government's assistance for development projects means all the Chief Ministers have to make an annual pilgrimage to New Delhi to quibble over relatively small amounts. Second, the states have no recourse to deficit finance unlike the centre as the Reserve Bank of India has been ordered not to allow them overdrafts.

Other irritants are the Central Government's jurisdiction over large contingents of the central reserve police even

The pilgrimage to Delhi to quibble over small amounts

though law and order is the responsibility of the states. New Delhi presides over the vital Central Bureau of Investigation and intelligence agencies.

Legal experts argue that the existing constitution does still allow a balanced relationship between New Delhi and state regimes. But this theoretical position does not take into account a whole host of central laws and administrative encroachments.

Much now depends on Mrs Gandhi's new commission. And this in turn will be heavily influenced by her own attitude. Apart from wanting to maintain the central government's powerful position, she also faces a political challenge in the coming elections.

But she needs no reminding that the real strains which have already surfaced in Assam, Punjab, the North-East and now in the South could crack the creaking federal structure conceived to keep a diverse sub-continent intact.

MRS INDIRA GANDHI
Faces regional challenges

Lombard

The impact of budget deficits

By Samuel Brittan

IT USED to be common ground that both budget deficits and monetary expansion stimulated an economy, although there was much argument about whether that stimulus was to output and employment or just to inflation.

Of late, however, a new view has arisen. This maintains that budget deficits are not expansionary, even in nominal terms, and may actually be contractionary. A list of four reasons has been compiled by Prof Ronald McKinnon of why U.S. budget deficits have a net deflationary impact.

In total the list is convincing, but the question I want to ask is whether all the items necessarily apply to other countries; or whether they would apply to the industrial world as a whole. To keep the argument manageable, I shall assume that monetary policy does not change "to accommodate" increased budget deficits.

The first restrictive aspect of budget deficits is that they drive up interest rates, and thereby discourage investment.

The second is that, however firm the present monetary stance, the prospect of large budget deficits a long way ahead creates the risk that at some future date they will be financed by monetary expansion. Nominal interest rates will, therefore, be raised further than the first argument alone would suggest, because of pessimistic expectations about future inflation.

The third deflationary aspect of budget deficits is partly a side-effect of the increase in interest rates. This attracts overseas funds. Thus the real exchange rate rises (at least so long as short term confidence is maintained); and there is therefore a downward pressure on profit margins in the trade and goods sector, which becomes uncompetitive. This is a major explanation of the depth of the recent U.S. recession and the problems of U.S. industries, such as steel and autos.

Fourthly, when the dollar rises, other leading countries tend to raise their interest rates and contract monetary growth to defend their own exchange rates. The recessionary effects of a high dollar are thus not offset by expansion in countries such as Germany and Japan.

This fourth influence clearly arises from the asymmetrical position of the dollar in the world currency system and does not apply to other countries. More generally, the rising exchange rate mentioned in the third argument could not occur if the industrial world as a whole expanded its budget deficits in appropriate proportions.

On the other hand, the first contractionary effect of budget deficit, namely the rise in interest rates, applies to any country and to the world as a whole. But most evidence suggests that this effect is not enough by itself to offset the primary stimulus of the deficit itself in raising demand.

The additional boost to interest rates coming from the second effect — the aggravation of inflationary fears — could, however, conceivably be enough to tip the balance of effects towards restriction, even without bringing in exchange rate repercussions. But here countries differ widely. The inflationary fears set off by a given increase in budget deficit will vary according to the prevailing degree of nervousness about inflation and according to the size of past and prospective deficits before any increase is mooted.

Thus the effect of budget deficits will depend on time and place.

Two American economists, Bergsten and Klein, have just advocated a co-ordinated fiscal stimulus from Germany, Japan and Britain. They are probably right to argue that this would give a stimulus: the question is whether it would be to output and employment, or just price and wages.

Both monetary and fiscal policy are means of managing monetary demand. The question of which means to use is a secondary matter to be decided according to the circumstances. It would be easy to imagine circumstances—say, when sterling is weak—when a policy of fiscal stimulation, but tighter money, would be appropriate for the UK. It would be silly to rule out such options because of a priori ideas about "balanced budgets."

Letters to the Editor

Measuring the profitability of takeovers

From Mr B. Sturgess

Sir,—With reference to your article of April 13 on "Takeovers and efficiency" and the letter by Kevin Freedman (April 19), I cannot agree with his statement that "there is very little support for the proposition that takeovers are the symptom of a healthy stock-market discipline." This question is as yet still very open and his assertion that the bulk of the evidence suggests that takeover activity is unprofitable, is quite simply incorrect.

The evidence referred to by Mr Freedman compares the weighted performance of a sample of independent firms' pre-merger with the performance of the unified companies' post-merger. Accounting ratios are generally used as measures of profitability, the data being extracted from company balance sheets. There are hosts of problems involved in the use of accounting data, but he has chosen to ignore many studies in takeover activity which have employed theoretically appropriate performance measures derived from capital market indicators. Most of these studies have found that positive net gains accrue to shareholders of both companies involved in takeovers, although the division of gains is often such that the benefits accrue to the owners of the acquired firm on average. Much of this work has been undertaken in the U.S., but there are some British studies published including one of the brewing industry.

Accounting-based studies must exclude frequent acquirers from the sample in order to have a fairly long comparative period post-merger. In 1979 I carried out a study of the performance of frequently acquiring firms using capital market indicators and compared their performance with that of a matched sample of firms which has grown internally over a ten year period. In contrast to an earlier work on the same sample that had used accounting ratios and had found an unprofitable route to growth, I found no significant difference between the groups in terms of performance.

The conflicting evidence suggests three possibilities: accounting ratios are not an accurate means of measuring the profitability of takeovers; the inclusion of "once-only" acquisitions biases the sample towards those firms having an unhappy experience of takeover; or the accounting based studies are right and the other studies are wrong. If this is true we must account for the uncomfortable inference that because the capital market measures are based upon gains in anticipation of future income flows, investors over the past 20 years have been repeatedly disappointed and, even worse, have consistently made mistakes in their assessment of the value of takeovers. This is hard to swallow and conflicts with all the theoretical knowledge and empirical evidence on investment behaviour.

Whatever the evidence on a few case studies of the efficiency of a particular takeover, the conventional model that the "market" knows more about the effects of takeovers on the efficiency with which assets will be employed than a regulatory agency remains a valuable device if slightly tarnished.

Brian Sturgess,
City University Business School, Frobisher Crescent, Barbican, EC2.

Barter trade and Brazil

From Mr F. Stolp

Sir,—Mr El-Erian (April 14) is perfectly right in claiming that a bilateral barter-trade agreement is now the only right solution to be recommended to each creditor country of Brazil.

Each country should stipulate such agreements with Brazil separately. Each agreement should contain at least the following conditions. Only funds "blocked" in Brazil should be used by each creditor country for settling imports from Brazil, and for this, imports from Brazil should be subject to the previous issue of a "currency certificate" to the importer, obligating him to buy from a major bank "blocked" assets in Brazil for the payment for his imports. Exports to Brazil should be limited, and/or suspended, depending on the circumstances, until such time as the old "blocked" debts have been "collected" by imports into the creditor country. Afterwards, the "value ceiling" of new exports to Brazil should be so "calibrated" as to equal, more or less, the estimated total value of the new imports from Brazil into the creditor country.

The purpose of this exercise is to forestall Brazil's relapse into new heavy indebtedness. Also, the "blocked" funds in Brazil should be freely assignable to third parties for use, of course, in Brazil only.

Major industrial projects in Brazil will have to be achieved by several West European countries jointly, each of them taking over in "payment," as "non-monetary means of payment," acceptable and easily marketable Brazilian goods. Afterwards, there will be still some economic growth in Brazil, although on a limited scale.

Franz Stolp.
Martin-Behaim-Str 1/7/7, 8 München—70, W. Germany.

Labour Party policy

From Mr H. Neuberger

Sir,—Ian Hargreaves in his article on unemployment (April 13) makes some excellent and timely points. It is a pity, however, that he repeats myths about Labour Party policy.

The Labour Party does not expect to recreate the old industrial structure: "Our target calls for over 500,000 jobs a year. But they will not be the same jobs that have been lost. Almost three out of every four jobs lost since 1979 have been in manufacturing. It will take us four or five years to get manufacturing output back to its 1979 level, and this will lead to new jobs in that sector. But the changes taking place in technology, and the opportunities which expansion provides for tackling the chronic outdatedness of British industry and the infrastructure that supports it, mean that we will not need as many people to produce any given level of manufacturing output."

Ian Hargreaves' only concrete example of Labour's alleged conservatism is the commitment to British Rail's Shildon wagon works. I cannot see why anyone should accept that Shildon is "of the past," as Ian Hargreaves suggests. Presumably he expects railways to continue in existence and expects them to continue to use rolling stock. The alternative to production at Shildon is importing. Is that the modern solution?

Henry Neuburger,
21, Northumberland Road, N1.

Points, swings and percentages

From Professor C. Mundle

Sir,—Those who report or discuss opinion polls, election results, changes in interest rates, etc., often invite confusion by phrases, apparently used interchangeably, such as "a 10 per cent swing" or "a swing of ten percentage points." These phrases are applied both to a change from 10 per cent to 20 per cent and from 40 per cent to 50 per cent: the percentage change in the former case is, of course, one of 100 per cent and in the latter case is 25 per cent.

Is it too late to get the adoption in everyday English in idioms which mark the difference between (a) two figures which may or may not be percentage figures and (b) the percentage difference between two figures which may or may not be percentage figures?

Perhaps the phrase "a swing or change of x percentage points" was introduced not as a result of verbosity in American coining for purpose (a) and distinguish it from (b). If so the public does not seem to have cottoned on.

(Professor) C. W. K. Mundle.
Ashcliffe, Dunning, Perth.

Adopting the customs

From the Director General, Japan Trade Centre

Sir,—I wish to correct a possibly misleading impression conveyed by your report (April 19) which referred to a survey of Japanese investment in the UK.

The item contained a quotation saying that Japanese children had been sent home to Japan because they had developed Welsh accents, or had learned to speak Welsh. To the best of my knowledge, no Japanese children have been sent home to Japan because they have developed Welsh accents, or acquired the skill to speak the Welsh language.

In fact, the Japanese people have always taken great interest and pleasure in learning the language and culture and adopting the customs of the countries in which they live.

K. Mimura.
19-25, Baker Street, W1

Redirecting pension money

From Mr T. Arthur

Sir,—Mr Stuart Brickell (April 19) contradicts himself in asserting that capitalism has short term horizons. It has taken some 200 years for Adam Smith's "The Wealth of Nations" to be overtaken (by Mr Brickell's letter) as the best argument for free-market capitalism, in particular for freedom in the areas of saving and investment. Support comes from the most unlikely quarters!

T. G. Arthur.
17 Highfield Road, Edgbaston, Birmingham.

FINANCIAL TIMES

Monday April 25 1983

MARKET FORCES 'CAN OVERCOME INTERNATIONAL FINANCIAL CRISIS'

Inflation warning on debt rescues

BY JEREMY STONE IN LONDON

THE USE of improvised, piecemeal rescue packages to protect debtor nations from financial collapse could lead to renewal of worldwide inflation. They are also a waste of potentially productive resources, according to Prof Karl Brunner, Professor of Economics at the University of Rochester, New York.

Writing in collaboration with five other economists in the latest Journal of Economic Affairs, Prof Brunner argues that the international debt crisis could be overcome largely through the operation of market forces.

There should be no need to enlarge permanently the borrowing and lending facilities of the International Monetary Fund.

The group makes detailed recommendations for resolving the debt problem:

● Creditor governments should distinguish between countries that can be expected to repay principal and interest if payments are rescheduled and those which cannot. "Countries unlikely to repay should be declared in default."

● The size of the global debt suggests that rescheduling should be arranged at regular intervals, together with monitoring of the debtor countries' domestic policies.

● Loan extensions should be tied to this adjustment of domestic policies, but a sudden halt to the extension of loans should be avoided.

● The IMF should undertake the monitoring but should avoid too much emphasis upon import reduction by debtors – for fear of damaging the economies of creditors.

● Permanent increases in IMF facilities should be avoided as an inappropriate response to temporary problems.

● Central banks, as lenders of last resort, should make a commitment to provide the necessary central bank funds to commercial banks suffering mass conversion of deposits into cash. That can be done without accelerating monetary growth or provoking inflation.

● Losses by banks that become insolvent as a result of default by borrowers should be borne by their shareholders. But the central bank should help such banks to continue in business so long as future earnings can be expected to restore solvency.

A long-run strategy, these economists say, should avoid bailing out debtor nations or creditor banks, and should steer clear of inflationary policies aimed at reducing the real debt burden or providing "extra liquidity" to the financial system.

They see no reason, however, to let the world slide into deflation and deep depression. They stress that "a major collapse in the financial industry should be and can be avoided."

Prof Brunner and his colleagues hold that this type of strategy would sharpen the evaluation of credit risk among both borrowers and depositors. Reckless or incompetent banks would gradually be penalised by the market, which expresses its judgment by making it more expensive for such institutions to raise capital.

They contrast this with the likely consequences of the approach which has developed since the international debt problem became critical last autumn.

Central banks are castigated for allowing defaulted loans to remain in the commercial banks' balance sheets, for providing new credits and for prodding commercial banks into refinancing the overdue interest payments.

A similar criticism was voiced in London last week by Dr Fritz Leutwiler, president of the Bank for International Settlements (BIS), and a key figure in all large national debt rescue packages.

Bailing out, says the Brunner group, tends to teach lenders that they can ignore risk, and teaches sovereign borrowers that the cost of *imprudent domestic policies is low.*

Providing extra loans without regard to the likelihood of repayment encourages debtor countries to increase their demand for loans, reject requests for domestic adjustments, and even renege on the policies agreed as a condition of the loans being extended.

Jaguar output up 41% in quarter

By Kenneth Gooding in London

SHARPLY INCREASED demand helped to boost output of Jaguar cars by 41 per cent in the first three months of this year and allowed the British company to make major improvements in productivity.

Production in the first three months reached 7,755 vehicles compared with 5,509 in the first quarter of last year.

In the first quarter, 3.5 cars a man per year were produced against only 1.2 cars a man per year in the same period of 1980 before the new management team had begun to rebuild Jaguar's fortunes. The new team, headed by Mr John Egan, took over at the BL subsidiary in April, 1980.

At the current level, production is well on target to reach the 25,000 cars planned for 1983, (22,000 last year) and was running at an annual rate of 28,000 in the first three months.

With about half the output going to the U.S. – where first-quarter sales were 60 per cent ahead at 2,958 – and because of the strength of the dollar, Jaguar will have had a highly profitable start to the year.

The company is also aiming this year to improve its position in West Germany, Europe's largest market for luxury cars. Even though major changes in Jaguar's operations in Germany are still to take place, sales there have improved 93 per cent from 138 in the first quarter of last year to 266.

This has helped push up Jaguar's total Continental European sales by 58 per cent, from 549 to 867. Australian sales are also doing well at 236 in the first three months, up from 129.

Jaguar now employs nearly 8,000, including staff in the U.S. and has recently hired between 400 and 500 *including 150 to 200 hourly paid* employees for some production areas where there were bottlenecks. The other recruits were mainly engineers and sales and marketing people.

THE LEX COLUMN

Outsiders steadily come to Liffe

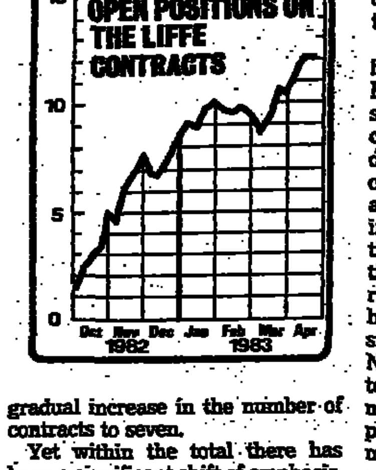
Liffe, the London futures market, seems to be carving its niche in the City at least as fast as could have been reasonably expected when it opened its doors six months ago. It has gained a reputation for technical efficiency, liquidity is building up to respectable levels and contracts are honoured. Problems remain over the commission structure and tax implications. Nevertheless, with its fundamental credentials established, outsiders are starting to take the market more seriously.

Barriers to full acceptance remain, none more important than those on the tax front. For many potential outside users, tax treatment will depend more on Inland Revenue administrative practice than legislation. Since it is still some time before the first set of tax returns are presented to the authorities, difficulties on this front have yet to emerge into the clear light of day.

However, pension and other tax-exempt funds have a problem that only legislative action can solve. They retain their exempt status solely when involved in "investment" activity. Under current legislation, most dealings in financial futures would leave them vulnerable to either capital gains or income tax. They would be safe only in hedging operations in which they actually took delivery of the under*lying security, which would allow* very limited use of the market. Not surprisingly, it seems that few pension funds have been active on Liffe up to now.

An amendment to the Finance Bill extending the funds' exempt status to genuine hedging operations is under active consideration by Treasury Ministers. However, there is some opposition to the proposal within the Government, on the ground that the exemptions already enjoyed by the funds have caused serious distortions to the capital markets. On this argument, any new legislation should tend to restrict the fund's advantages rather than extend them further. The issue is finely balanced, since an obvious counter is that the Government should develop a coherent strategy towards the funds rather than depend on accidental legislative blockages.

The number of contracts traded in the market each day has been remarkably constant from inception, with the typical daily volume running at about 4,500. The average has been maintained in spite of a



gradual increase in the number of contracts to seven.

Yet within the total there has been a significant shift of emphasis. Whereas in the early days the bulk of trades were made on member interest, the proportion attributable to outsiders is now looking more respectable. *Of the gilt-edged positions left open at the end of the day,* perhaps 40 per cent now represents non-member interests. In the Eurodollar and short sterling contracts, the outside interest may be about 20 per cent. What seems to have happened is that the early trading of members motivated by the wish to get the market on its feet, has been run down as genuine business has started to emerge.

At the same time, the number of open positions has been growing steadily, and now stands at about 12,600. This is probably the best measure of the market's liquidity. Positions opened and closed within a day reflect the activity of market traders and speculators. Open positions will tend to reflect rather the activity of genuine hedgers, and will also have the effect of generating subsequent dealing activity.

At these volumes, nevertheless, the market still has a good way to go before achieving viability. Daily turnover needs to move up to the 15,000 to 20,000 region before costs are being comfortably covered all round. Some of the banks on the floor may be justifying their investment in Liffe already in terms of own-account hedging operations, but few of the brokers are yet in this category. Signs of growing *specialisation are emerging,* with some members – Charterhouse Japhet, for example – leaving the floor of the exchange in order to concentrate their resources on collecting business. This is then channelled to floor dealers for execution. So far about 24 seats have changed hands, all at a premium, which reflects the confidence of the dealing community in Liffe's prospects.

So far, the contracts that seem to have found a genuine base are the Eurodollar, gilt-edged and short sterling. Trading in the currency contracts, by contrast, looks a good deal thinner. The smaller commercial operator, at whom they are aimed, has yet to enter the market in any force, and it may be some time before the aggressive education programme has an effect. Worries about the Revenue attitude to hedging operations may also be a significant *deterrent at this level.* Nevertheless, growing outside interest in the other contracts should move overall volume to a higher plateau in the autumn, while early-morning trading may receive a welcome boost when futures markets are established in the Far East in the New Year.

U.S. invasion

ICI has been one of Wall Street's *hottest* tips for some weeks and trading in its shares has topped the American Exchange's most active stocks list a couple of times in recent sessions. U.S. investors have been chasing a string of other big names – notably Glaxo – and their spreading enthusiasm for selected UK equities has been a strong tonic for the London market.

Glaxo's 57p fall to 883p in London on Friday, however, might say something about the hotness of the money involved. In just the previous seven trading days it had helped to lift Glaxo's shares from 832p to 960p.

London is not the only market outside the U.S. to have experienced this sudden influx of speculative American funds. But it is certainly the only one in which Wall Street's fleet-footed risk arbitrageurs can practise their art when bid activity is slow back home. It already appears that the outcome of the bid for Sotheby's may be determined by the decision of U.S. investors who bought in the expectation of a bid, to take their profits.

London may be attracting New York interest not only because of the recent well publicised wave of takeovers but also because the elab*orate rules introduced by the Coun*cil for the Securities Industry to clip the wings of dawn raiders create a lengthy vacuum in which abundant free equity is available to those less intent on gaining control than on acquiring a pivotal block in the target company's shares.

Safeway may buy UK food chain

By Ray Maughan in London

FITCH LOVELL, the UK food group, has reached an advanced stage in negotiations to sell the Key Markets supermarkets subsidiary to Safeway Food Stores, the British arm of the U.S. food retailing concern.

A sale, expected to raise about £35m ($54.6m) against a 1981 book value of about £18m may check the determination of Linfood Holdings to persist with its £72m attempt to acquire the whole group, presently subject of a Monopolies Commission inquiry.

The integration of the Key Markets business with Linfood's Carrefour, Gateway and Dee store chains is seen as one of the major attractions of a takeover Linfood.

Linfood's bid last autumn was bitterly resisted by Fitch which said that sales to other food retailers from its wholesale and manufacturing divisions could be affected if Fitch's own food retailing interests were to be strengthened as a result of a merger.

The strong position of food retailers relative to manufacturers is believed to have prompted the abortive £57m Argyle Foods bid for Linfood 18 months ago to be referred to the Monopolies Commission.

The Monopolies Commission report on the Linfood/Fitch Lovell bid is due to be published soon. Many in the food industry believe it will allow a takeover offer to proceed.

Fitch has invested heavily in Key Markets in recent years and currently sells from almost 1m sq ft of store space from 106 outlets. It has been at pains to show that the investment has yielded a significantly higher average floor space per outlet than Linfood but increased retailing profitability has been slow to come through in the face of declining property disposal proceeds.

Its overall profits have been disappointingly flat for a number of years. This has made Fitch Lovell a perennial bid target for any number of predators. The disposal of peripheral and unprofitable businesses, heavy investment in more effective store sizes and the purchase and development of food manufacturing companies such as Jus-rol frozen pastry and Robirch cooked meats, have recently started to show results.

Its profits in the six months to October last year reached just over £8m, an increase of 95 per cent excluding the impact of property disposals and the group is expected to repeat that performance in the second half.

Safeway, based in Oakland, California, has about the same number of UK outlets as Key Markets but its sales are in the region of £500m annually and profits last year expanded from £13.4m to £17.1m.

Steel spells out conditions for Liberal backing in parliament

BY MARGARET VAN HATTEM IN LONDON

MR DAVID STEEL, the British Liberal Party leader, yesterday firmly ruled out the possibility of his party's participation in any agreement *to support a Labour or Conservative* minority Government that did not include the Social Democratic Party (SDP).

He did so in a television interview later hailed by a number of Members of Parliament from all the main parties as a masterly performance, likely, despite his own disclaimers, to establish him in the public eye as the real leader of the Liberal-SDP Alliance.

He confirmed that Liberal and SDP MPs would be asked next Wednesday to endorse a pact between himself and Mr Roy Jenkins, the SDP leader, confirming Mr Jenkins as the Alliance Prime Minister-designate and Mr Steel as head of the Alliance campaign committee.

Mr Jenkins's chances of becoming Prime Minister are not rated highly. However, as campaign leader, Mr Steel would gain most of the credit for a successful campaign, which, even though it failed to produce an Alliance Government, might well leave him in an almost unassailable position.

Mr Steel insisted yesterday that he would not desert the SDP after the election. He confirmed that the possibility had been broached by Labour leaders, such as Mr Michael Foot and Mr Denis Healey, but he quickly *dismissed* those approaches as "vague conversations, hints and jokes." There had also been indications that a number of

Mr David Steel:
'masterly performance'

Conservatives "would welcome a link-up with the Liberals," as a means of changing Tory economic policy. But he did not regard these suggestions seriously.

"There is no agreement possible with the Liberal Party on its own, or with the SDP on its own," he said. "We are going to fight as an alliance and we're going to have to be counted together in the next parliament."

During the course of the interview, Mr Steel:

● Ruled out any form of support for a Labour government committed to EEC withdrawal;

● Ruled out any support for a Conservative government "using unemployment as a major social and economic weapon";

● Insisted on electoral reform as a condition of Alliance "participation in government." But, significantly, he did not attach the same conditions to less formal support to sustain a *minority government.*

The Liberal leader was widely conceded afterwards to have left himself much room for manoeuvre after the general election.

The desire of some senior Labour and Conservative MPs to keep open all options for a deal with the Liberals, though not necessarily the SDP, is widely known. Mr Steel's pledge of solidarity with the SDP has not convinced them that these options are now closed.

Even SDP members concede that the strength of the commitment depends on the election result, and that a very low ratio of Social Democrats to Liberals in the next parliament "would obviously be a change of fact, rather than degree."

While not ruling out the Alliance's chances of forming a government, Mr Steel indicated that it would not go into a coalition where it was heavily outnumbered.

"I do not think you can have a credible coalition between a party of 300 MPs and a party of a dozen," he said. "It is not then a coalition – it is absorption into another party and I do not think Liberals or Social Democrats would want that. Supposing there were about 150 of ours and 200 of theirs, that is a different matter."

However Mr Steel indicated that he had considered many options other than coalition, whereby the Alliance might "sustain a government" in a hung parliament.

New OECD accord on export financing may be delayed

BY CHRISTIAN TYLER, WORLD TRADE EDITOR, IN LONDON

THE GENTLEMEN'S agreement between members of the Organisation of Economic Co-operation and Development (OECD) limiting international competition in export finance could expire this week without a clear decision on its replacement.

Members of the so-called "consensus" meet in Paris today to try and work out a more permanent accord on minimum rates of interest to be charged on medium and long-term credit for importing countries. But British officials and others rate the chances of success no higher than one-in-three.

If the talks break up without a deal the present system – which suits few of the participants – would have to be frozen.

The EEC nations, despite serious internal disagreements, have agreed to press for a semi-automatic system that would keep export credit rates moving more in line with commercial rates of interest. That would prevent the annual and often bitter arguments of past years.

But it is a matter of controversy between governments as to how much the consensus rates should be changed in the light of falling commercial rates. The EEC Commission will argue that any variation should be strictly tied to the introduction of an automatic review mechanism.

The U.S., which is fiercely anti-subsidy and wants consensus rates kept as high as possible, may accept this principle if the pro-subsidy countries, like France, are defeated this week.

The French are seeking a 2 per cent cut to reflect the fall of average bond rates from 12.125 per cent last year to 10.125 at present. They are supported by the Italians and the Belgians. The Greeks and Irish, as receivers rather than givers of export subsidies, also hope for a fall.

Ranged against this lobby are the West Germans, British, the Danes and the Dutch, who would accept a cut of no more than half a percentage point in the 10 to 12.4 consensus range set last year.

The Paris talks could be further confused by a U.S. attempt to toughen the terms of credit that can be offered to the rich nations. This is seen as a political move against the Soviet Union, East Germany and Czechoslovakia, which are now included in the consensus's "relatively rich" nation category.

The U.S. wants down payments on future export contracts in this category to be raised from its present 15 per cent to 40 per cent. Other countries, including Britain, will resist that on the grounds that it would damage their national support for exporters. Overt discrimination against the Soviet bloc would be strongly fought by the neutral countries and could even threaten the future of the consensus.

New chief for Lloyds Bank

By Alan Friedman in London

MR BRIAN PITMAN, deputy group chief executive of Lloyds Bank of the UK, is expected to be named group chief executive today. He will succeed Mr Norman Jones.

Lloyds is the smallest of Britain's "big four" clearing banks, with £34.5bn ($53.1bn) of assets.

Mr Jones, who has been group chief executive since 1978, is expected to retire at the end of this year.

Mr Pitman has spent most of his career with the Lloyds Bank group, where he has spent time in both domestic and international banking, including periods in Europe and the United States.

He was appointed assistant general manager in charge of corporate services in 1973 and became a joint general manager for the bank's London business in 1975.

In 1976 Mr Pitman was appointed an executive director of Lloyds Bank International, the group's international arm.

There he was responsible for the UK and Asia-Pacific regions and served as a director of the bank in Australia, California and Hong Kong.

In 1976 he became deputy chief executive of Lloyds Bank International.

Mr Pitman became deputy group chief executive 15 months ago and has been seen in the banking community as the heir apparent to Mr Jones, who will be 60 in November.

Caterpillar strike ends

Continued from Page 1

cost-of-living allowances, which will be paid quarterly and Caterpillar has promised an immediate $16m payment to improve unemployment benefit.

About 20,400 UAW members were *actively working* at Caterpillar when the strike started at the beginning of last October, representing about 80 per cent of its hourly paid workforce. A further 15,000 UAW members had been laid off.

The significance of the strike, which was the longest of its kind in the history of the UAW was that the central issue was not Caterpillar's immediate survival, but rather its ability to compete in the international marketplace over the long term. The UAW has made big concessions to financially troubled companies in the motor industry

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	17	63	Dubrovnik	S	20	68	Malaga	C	17	63	Salzburg	C	13	55
Akrotiri	S	20	68	Faro	F	19	66	Malta	C	18	64	Seoul	S	22	72
Algiers	S	21	70	Florence	C	18	64	Manila	S	37	99	Singapore	F	35	92
Amsterdam	F	13	55	Frankfurt	C	14	57	Miami	F	23	73	Stockholm	C	10	50
Athens	S	19	66	Funchal	C	17	63	Milan	C	16	61	Strasbourg	C	13	55
Bahrain	S	30	86	Geneva	F	12	54	Moscow	C	18	66	Sydney	F	22	79
Bangkok	S	34	93	Gibraltar	F	17	63	Munich	C	11	52	Taipei	S	31	88
Barcelona	S	17	63	Guernsey	R	9	48	Nairobi	F	22	72	Tangier	C	17	63
Beirut	S	23	73	Helsinki	S	14	57	Naples	F	19	66	Tehran	—	—	—
Belgrade	F	25	77	H. Kong	S	27	81	New Delhi	S	35	95	Tel Aviv	—	—	—
Berlin	F	18	68	Innsbruck	S	17	63	New York	R	9	48	Tenerife	S	20	68
Biarritz	F	15	59	Inverness	C	8	46	Nice	S	17	63	Tokyo	S	23	73
Blackpool	F	12	54	Istanbul	S	14	57	Oporto	R	13	55	Toronto	C	4	39
Bordeaux	R	13	55	Jersey	C	12	54	Oslo	F	14	57	Tunis	F	20	88
Brussels	F	14	57	Jo'burg	F	18	66	Paris	F	14	57	Valencia	C	20	68
Budapest	S	21	70	Las Palmas	C	20	68	Prague	S	17	63	Venice	S	17	63
B. Aires	C	18	64	Lima	C	25	77	Reykjavik	S	1	34	Vienna	S	18	64
Cairo	S	30	86	Lisbon	R	13	55	Rio de J'o	C	27	81	Warsaw	F	19	66
Cape Town	S	25	77	Locarno	C	12	54	Rome	F	19	66	Zurich	R	10	50
Caracas	C	30	86	London	F	13	55								
Casablanca	F	18	64	Los Angeles	S	5	41								
Copenhagen	C	9	48	Luxembourg	F	12	54								
Corfu	S	19	66	Madrid	R	12	54								
Dublin	C	9	48	Majorca	S	19	66								

Readings at mid-day yesterday.

C–Cloudy D–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

Seafirst rescue bid

Continued from Page 1

first, said that the merger "presents the best path out of our recent difficulties" and assures that Seafirst will "continue to be the premier banking organisation in the Pacific Northwest."

Mr Sam Armacost, chief executive of BankAmerica, said over the weekend he was confident that Seafirst's problems were manageable. "Given the size of the charge-offs already made, we believe the downside risk is containable and that the strengths we can bring to the table will permit the company to ride over its present problems."

Mr Armacost said that Seafirst would not lose its identity. It would continue to operate as an independent bank with its own management and board of directors but "fully integrated with BankAmerica, in order to gain from the experience, services and resources of the combined organisation."

Seafirst made total provisions in the first quarter of 1983 of $134.5m, which compares with $288.3m in the whole of last year. The bulk of these provisions reflect problems in energy lending

Declining oil and gas prices, continued low demand for U.S. oil and gas production and a sluggish economy have put increasing pressure on the U.S. energy industry.

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FINANCIAL TIMES
Monday April 25 1983

Portugal likely to push mandate for $300m Euroloan

BY ALAN FRIEDMAN IN LONDON

TODAY is election day in Portugal and one of the first duties of the new government will be to speed along a formal mandate for the country's attempt at a $300m Euroloan.

By Friday, some 16 banks were said to have agreed to underwrite the seven-year deal with interest at ¾ per cent over the London inter-bank offered rate (Libor) or 0.45 per cent over U.S. prime. Telexes were dispatched to Lisbon over the weekend and bankers involved in the credit said they hoped to hear from Portugal soon after the election.

Bankers met in London on Thursday to finalise the credit and the meeting is said to have been less than a euphoric event. The Portuguese credit has been a long, hard struggle, and the original idea of a $400m to $500m deal at ⅝ per cent over Libor or 0.30 per cent over prime took some time to bite the dust.

Now that the banks have finally put their revised offer to Lisbon only two things remain to be said: First, bankers can now no longer level accusations about the credit being timed inappropriately ahead of the election. Second, this is a deal which must succeed if Portugal is to avoid damage to its credit-rating in the Euromarkets.

Portugal's next-door neighbour, Spain, is still sounding the market out on a proposed $500m credit, but some bankers are less than keen on the ⅜-½ per cent split terms being mooted for the 8-year deal.

From Ireland, meanwhile, comes word that the $300m 7-year credit has been increased to $500m because of heavy demand. Some 27 underwriters are involved now, each taking an $18.5m stake.

Belgium has just concluded a surprisingly small $50m credit through the Paris branch of Al Saudi Banque. The idea had been to raise significantly more than $50m, and some bankers are known to have objected to the terms, which include a ⅝ per cent element.

For North African buffs, a meeting in Algiers over the weekend was intended to award a formal mandate for a planned $500m credit for Sonatrach, the state oil company.

Four Arab banks – Arab Banking Corporation, Banque Arabe Internationale d'Investissement, Gulf International and Union de Banques Arabes et Francaises – are expected to play a key role in lead-managing the deal.

The proposed terms – a split spread of ½–⅝ per cent over Libor for eight years and a ⅜ per cent commitment fee – left some London-based bankers cold. Nonetheless, this is a rare appearance for an Algerian borrower and a fair degree of interest is growing among banks.

On the Latin American front, today sees a meeting in New York of Venezuela's 12-bank advisory committee. Chase Manhattan will chair the meeting, designed to review the status of talks between Venezuela and the International Monetary Fund.

Bank of America will report on its study of the $6bn to $7bn of private sector debt falling due this year and the meeting will also discuss the proposed rescheduling of $10bn of short-term public sector debt and possibly the question of whether it is necessary to also reschedule a further $2bn of medium-term debt which matures this year.

Also in New York this week U.S. banks will meet to discuss their part in restoring interbank lines to Brazilian banks. This follows last week's London meeting, which launched a world-wide campaign to persuade banks to restore $1.5bn of interbank lines, bringing the total to $7.5bn. U.S. banks are believed to be $500m to $600m behind their target.

EUROBONDS

Lack of investor enthusiasm

BY MARY ANN SIEGHART IN LONDON

THE EUROBOND market sputtered along last week, rather like an ageing automobile in need of a tune-up. Investors were not abundant, but new issue managers pushed out nearly $1bn of paper and at least there were no outright flops.

Prices of bonds in the dollar, D-Mark and Swiss franc sectors declined by ¼ to ½ point on average, with lack of investor enthusiasm the main factor. Some investors appeared to be considering a trade-in of their Bondmobile for a more up to date Equity Car.

The primary market in the dollar sector held up reasonably well under the pressure, but the secondary market was definitely misfiring by the end of the week. One trader said: "It looks like 'sell in May and go away' has come to the Eurodollar bond market two weeks early this year."

Friday saw yet another bank issue on top of the 11 launched so far this month. Citicorp is raising $100m through a seven-year, 10⅞ per cent bond, priced at par and led by Morgan Guaranty and Citicorp. At its issue price it yields 10.532 per cent. "A marginal deal," was how it was described by one new issue manager. "There's not much money to be made out of it, but not much to be lost either."

But unlike most of the other bank bonds, it was not done for interest rate swap purposes. On Friday it was trading in the pre-market at a 1⅝ point discount, just inside the co-management concession.

Today should see the launch of a 15-year convertible dollar bond from Mitsubishi Electric, led by Daiwa. The $100m issue is expected to yield about 5½ per cent.

S. G. Warburg and Soditic broke new ground last week by arranging what is claimed to be the first currency and interest rate swap between sterling and Swiss francs. The vehicle was a SwFr 100m five-year private placement on behalf of Finance For Industry (FFI) with a coupon of 5⅝ per cent at par. The counterparty was Enel, the Italian electricity utility.

FFI has taken over Enel's sterling floating rate liability, paying a respectable margin under 3-month Libor. Enel has ended up with what is in effect a syndicated Swiss franc loan from the intermediary banks, and the banks are paying the interest to the bondholders.

The other British deal in the market last week caused more controversy. BOC launched a £50m, eight-year, 11¾ per cent Eurosterling bond at par. Lloyds Bank International finally won the lead management mandate after offering a lower coupon than other banks but the deal did not go well, reaching discounts of more than 3 points during the week, before recovering on Friday to close at a 2¼ point discount.

Some people in the market suggested that the coupon was too low and the amount too high. One new issue manager said: "For a corporate name which is not absolutely top drawer, you're pushing it if you want £50m."

In Japan the Ministry of Finance seems to be reacting to Japanese companies which are "pushing it" on the Swiss market. Investors are becoming increasingly weary of the amount of Japanese paper flooding the market, especially in small denominations. As a result the Ministry has decided to relax the rules regarding domestic convertibles in an attempt to lure borrowers back to the domestic market.

Under the new rules corporations with good credit ratings will be able to raise funds at a full 2 per cent under the base rate coupon, rather than 1.3 per cent.

In the first quarter of this year, Japanese borrowers launched 55 of the 85 new Swiss Franc foreign bond issues.

TRADE FINANCING

Bankers to meet again on Nigeria

BY QUENTIN PEEL IN LONDON

CONSIDERABLE secrecy has shrouded the discussions of the leading U.S. and European banks involved in financing trade with Nigeria, who are owed a substantial part of that country's estimated $5bn arrears on short-term payments, and have been seeking agreement on how best to tackle the problem.

A further meeting is to be convened in London on Wednesday by Barclays Bank International at which at least 19 banks are expected to attend, after last week's public confirmation by President Shehu Shagari that his Government is hoping to raise up to $2bn in foreign loans.

Prospects for an agreement between the banks, however, seem slim, because of their difference in principle over the question of consolidating the outstanding short-term debt.

The discussions are also likely to be hampered by the lack of any clear data on the size of the backlog, or the current level of Nigerian imports, as well as uncertainty over the outcome of the government's negotiations with the International Monetary Fund.

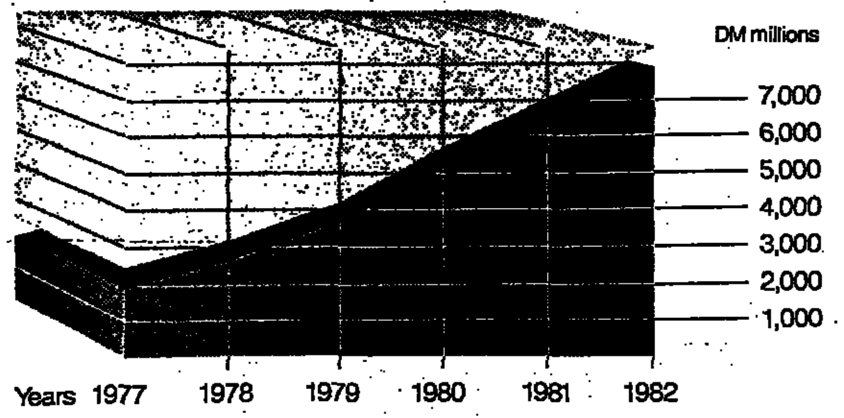
The differences between the banks emerged two weeks ago at the first meeting convened by Barclays, where the proposal was put to convert the arrears they were owed into a medium-term credit of 18 months to three years.

The U.S. banks, led by Bankers Trust International, objected in principle to consolidating trade debts into a medium-term credit, and also argued strongly that they were being asked to lend money without being given adequate information.

CURRENT INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Lead Manager	Offer yield %
U.S. DOLLARS							
Fuji Intl. Fin. ‡	100	1990	7	10⅞	100	Fuji Intl. Fin., Kleinwort Benson	10.875
BMF-Bank Intl. §¶‡	24.5	1990	7	7½	100	BMF-Bank	7.500
Intershop O/S Fin. §‡	24.5	1993	10	6	100	UBS Secs.	6.000
Minebea §	80	1998	15	5¾	100	Nomura Intl.	*
SNCF **†‡	50	1991	8	–	100	Bqe. Indosuez	–
Westpac ‡	100	1990	7	11	100	Merrill Lynch	11.000
DG Bank ‡	100	1990	7	11	100	DG Bank, Goldman Sachs, Hambros Bk.	11.000
Japan Air Lines ‡	42.15	1998	11	10⅞	100	SG Warburg, IBJ Intl.	10.875
CNT †‡	250	1991	8	5¼Ø	100	BNP, Merrill Lynch, Bk. of Tokyo Intl.	–
Citicorp ‡	100	1990	7	10⅞	98½	Morgan Gty., Citicorp	10.532
Mitsubishi Electric §	100	1998	15	5½	*	Daiwa	
CANADIAN DOLLARS							
Can. Pac. Secs. ‡	50	1990	7	11⅞	100	Orion Royal Bank	11.875
D-MARKS							
Denmark ‡	100	1993	10	8	99½	West LB	8.075
Denmark ‡	100	1988	5	7¾	100	West LB	7.750
SWISS FRANCS							
Asahi Construction **§‡	30	1988	–	4	100	Swiss Volksbank	4.000
Sumitomo Realty **§‡	50	1988	–	3⅞	100	CS	3.875
Renown **§‡	50	1988	–	3¾	100	UBS	3.750
NEC Corpn. §‡	100	1993	–	3½	100	SBC	3.500
NEC Corpn. **§‡	150	1988	–	3½	100	SBC	3.500
Kawashima Textile **§‡	20	1988	–	4⅛	100	J. Henry Schroder Bank	4.125
Yamato Kogy **‡	20	1988	–	6	100	UBS	6.000
Oki Electric **§	80	1988	–	3⅝	100	SBC	–
Japan Devt. Bank	100	1993	–	*	*	CS	5.500
Toyo Sakan **	25	1988	–	*	*	SBC	6.000
Finance For Industry **‡	100	1988	–	5⅝	100	Soditic, SG Warburg	5.625
Akzo	100	1993	–	*	*	CS	5.625
Ireland	80	1993	–	*	*	Paribas (Suisse)	6.500
AEBC	100	1994	–	*	*	Soditic	–
STERLING							
BOC ‡	50	1991	8	11¾	100	Lloyds Bank Intl.	11.750
AUSTRIAN SCHILLINGS							
African Devt. Bank ‡	400	1991	7	8¾	100	Girozentrale	8.750
GUILDERS							
Industrial Bk. of Finland ‡	75	1993	5½	8¾	100	Bank Mees en Hope	8.750
Dublin Elec. Supply **‡	75	1988	5	8¾	99½	ABN	8.878
ECUs							
Forsmarks Kraftgrupp	40	1998	15	*	*	Kredietbank Intl., BBL, Soc. Gen. de Banque	*
YEN							
Finland ‡	20	1993	9	8.1	99.45	Yamaichi Secs	8.349

* Not yet priced. ‡‡ Final terms. ** Placement. † Floating rate note. Ø Minimum. § Convertible. ¶ With warrants. †† Registered with U.S. Securities and Exchange Commission. Note: Yields are calculated on AIBD basis.



INTERNATIONAL CAPITAL MARKETS AND COMPANIES

U.S. BONDS

Market slips back as equities hog traders' attention

THE U.S. credit markets did not share in the euphoria which gripped Wall Street last week as the Dow Jones industrial average flirted with the 1200 mark. Bond prices fell, wiping out virtually all of the previous week's gains.

The Treasury long bond 10⅜ per cent 2012 had looked as if it would break through last November's peak of 100⅜ at the beginning of the week. But this was not to be and by Thursday it was trading down to 98⅞. The better than expected money supply figures gave it a fillip on Friday but it still ended the week at 99⅞, making a net loss of close to a point on the five days' trading. Its yield rose by 9 basis points to 10.45 per cent.

Meanwhile, prices of long-term corporate bonds fell by up to 2 points on the week and yields rose by around 12 basis points on high grade long-term paper, with the Bell System bonds, for example, yielding 11.71 per cent at the end of the week.

In the money markets the firmness of interest rates was less pronounced and the Fed funds rate fluctuated between 8⅛ and 8¾ all week. Rates at the weekly Treasury bill auction were marginally easier. The average rate on the three-month paper was 8.03 per cent compared with 8.165 per cent the previous week. On the six-month paper it was 8.20 per cent against 8.248 per cent.

The rates at the regular monthly auction of two-year Treasury notes were also marginally easier at an average yield of 9.61 per cent and the $7.5bn of paper on offer attracted demand for some $19.1bn.

Several factors were cited for the market's weakness last week. There is continued speculation about whether Mr Paul Volcker will be reappointed for another term as chairman of the Federal Reserve and the uncertainty makes the debt markets nervous, some analysts say. Probably more important, the credit markets are becoming increasingly concerned about the size of the government deficit and the failure of the Administration to get congressional agreement on ways of reducing it.

In the short term the debt markets are focusing on the Treasury's next quarterly refunding package, which is due to be announced on Wednesday. Bond prices tend to decline ahead of these announcements and the market is fairly confident that it has predicted the sums involved. The Treasury is expected to issue around $14.5bn of new securities consisting of $6.5bn of three-year notes, $4.5bn of 10-year notes and $3.5bn of 30-year bonds. The hope is that after the announcement, rates will turn lower.

The latest money supply figures were surprisingly good, with M1 dropping by $3.1bn in the week ended April 13—its first fall in four weeks. The debt markets had been expecting a drop of around $500m, so went noticeably better after the news on Friday afternoon.

The corporate debt market has been active with more than $1bn of new issues priced last week. The biggest issue was $300m of 40-year debentures for Southwestern Bell. Carrying a coupon of 11⅛ per cent the issue was priced at 98.75 to yield 11.65 per cent. The triple-A rated Asian Development Bank raised $100m of 15-year money at a yield of 11.20 per cent.

Union Camp, the paper and packaging group, raised $75m of 30-year money which was priced to yield 11.20 per cent and demand for corporate paper was sufficiently buoyant to enable Mattel, the toy group, to increase the size of its 20-year debenture issue from $100m to $125m. Carrying a 11⅞ per cent coupon the issue was priced at 99⅛ to yield just over 13 per cent.

William Hall

U.S. INTEREST RATES (%)

	Week to April 22	Week to April 15
Fed funds wkly aver	8.70	8.76
3-month T-bills	8.12	8.25
3-month CDs	8.58	8.70
30-year Treas bond	10.46	10.36
AAA Utility	11.71	11.59

Source: Federal Reserve and FT estimates. In the week ended April 13 M1 fell by $3.1bn to $486.1bn from a revised $489.2bn the week before.

UCB plans to raise fresh capital as profits recover

BY OUR FINANCIAL STAFF

UCB, the Belgian chemicals, pharmaceuticals and film group, has staged a major profits recovery for 1982 and plans to unveil a rights issue in the middle of June.

In the meantime, the dividend is going up from BFr 140 a share to BFr 150 following a rise in net earnings to BFr 372m ($19m) from BFr 257m.

The profits performance is in line with the strong recovery shown half-way through last year, and has again been enhanced by exceptional earnings. UCB's half-year exceptional credits amounted to BFr 98m. For the whole of 1982 they total BFr 441m, with the major boost coming from the disposal of a fertiliser division.

The group looks to have successfully completed the recovery programme it set in motion in 1981. Net profits on a trading basis emerge at BFr 431m for 1982, against a recent best for the company of BFr. 330m, achieved in 1979.

The directors propose to raise new equity capital sometime in mid-summer. At the moment the plan is for a one-for-four rights issue with terms to be set in June. UCB has a current stock market value equal to just under $50m.

Despite industrial recession worldwide net sales rose by 9 per cent last year to BFr 27.7bn. Sales in pharmaceuticals grew by 12 per cent and the division made an operating profit after tax of BFr 354m against BFr 328m in 1981.

Sales in chemicals increased by 3 per cent with profits up to BFr 133m, against BFr 40m. Sales in the film division rose by 14 per cent helping to reduce losses to BFr 113m from BFr 284m in 1981.

Fred Olsen improves operating result

By Fay Gjester in Oslo

FAVOURABLE long-term charters concluded for a number of offshore units led to improved profits for Norway's Fred Olsen shipping group last year.

The five companies in the group had a total operating profit of NKr 246m ($34.5m), compared with NKr 145m. Moreover, despite unfavourable currency movements, which led to losses on dollar loans, the result before extraordinary items was a profit of NKr 18.8m, compared with a deficit of NKr 8.4m a year earlier.

Profits on sales of ships and rigs were lower at NKr 11.2m, compared with NKr 42.7m in 1981. So the result before end-year allocations, at NKr 29.8m, was slightly down on the NKr 33.5m achieved in 1981. An unchanged 12 per cent dividend is being paid.

● Five Norwegian ferro alloy manufacturers have decided not to merge their ferro alloy activities. The five said that the widely differing sizes and ownership structures of the companies had been one obstacle.

The companies, Orkla Metal, Elkem, Bjolvefossen, Ila og Lilleby, and Hafslund, together control 11 ferro alloy plants with a total of 3,600 employees.

Strong earnings gain at Skanska Cement

BY DAVID BROWN IN STOCKHOLM

SKANSKA CEMENT, the largest construction company in the Nordic area, has more than doubled profits before tax and allocations, lifting them from SKr 684m to SKr 1.55bn ($207m) for 1982.

Consolidated sales grew from SKr 11.1bn to SKr 11.7bn, of which 24 per cent, or SKr 2.7bn, came from foreign contracts. Trading profit climbed from SKr 695m to SKr 1.5bn, with net financial income up from SKr 307m to SKr 379m.

Both sales and profit figures exceed the results forecast last October by Mr Birger Löwhagen, the managing director. He attributes the improved earnings mainly to the completion of several large foreign projects during the year. Financial and property activities had also yielded good results.

Skanska's earnings have grown tenfold in the past decade. The company is currently expanding its efforts on the Far East market, as competition stiffens in other areas, including Africa and the Middle East.

The board proposes a dividend of SKr 13 per share, compared with SKr 10 in the previous period, as well as a one-for-two scrip issue.

Mexican bank hit by inflation

BY WILLIAM CHISLETT IN MEXICO CITY

BANAMEX, Mexico's second largest commercial bank, which was nationalised last September, reports an almost unchanged net profit for 1982 of 4.12bn pesos ($60m) compared with 4.13bn pesos in 1981.

The result represents a steep setback in real terms when inflation of 98.8 per cent for last year is taken into account.

In dollar terms, profit was $105.2m less because of the devaluation of the peso in 1982. The currency declined 82 per cent against the U.S. dollar over the course of 1982. The average exchange rate last year was 71.4 pesos per dollar compared with 25 in 1981.

Reflecting the sorry state of heavily indebted companies, Banamex was forced to increase its reserves for loan write-offs from 332m pesos to 2.95bn pesos.

Bancomer, the largest state-run commercial bank, increased net profit by 7.2 per cent last year to 4.43bn pesos ($62m). However, as at Banamex, earnings were substantially lower in real terms.

Bancomer increased its assets by 57.5 per cent to 770.5bn pesos. Total deposits rose by 60 per cent to 582.5bn pesos. This sharp increase was largely because of the forced conversion of all dollar deposits into pesos last year when dollar accounts were abolished.

Grupo Alfa in debt deal

BY OUR MEXICO CITY CORRESPONDENT

GRUPO Industrial Alfa, Mexico's largest and troubled private enterprise, has agreed with its international creditor banks to whom it owes $1.6bn to extend the deferral of most interest payments for a further three months.

Alfa, whose activities include steel, petrochemicals and capital goods, has passed about 70 per cent of interest payments since last August. All repayments of capital were suspended in April 1982.

Bankers were told at a meeting with Alfa in New Orleans on Wednesday that the company hoped to have a rescheduling plan worked out by the end of July.

The debt-ridden industrial group, which has been squeezed by Mexico's heavy devaluation and the company's over-ambitious expansion policies, hopes to sell some 45 per cent of its assets which were valued at about $4bn at the end of 1982.

INTERNATIONAL APPOINTMENTS

New chairman for Banco di Napoli

THE ITALIAN Government has finally appointed a new chairman to the BANCO DI NAPOLI, more than four months after the resignation of Dr Rinaldo Ossola writes James Buxton in Rome. The new chairman is Mr Luigi Coccioli, chairman of Istituto Bancario San Paolo di Torino. Mr Coccioli has been chairman of the Turin-based bank during a period of considerable expansion, especially abroad. The board of Banco di Napoli recently approved a new governing statute which was considered essential to the reform of the troubled institution. The earlier failure to gain the boards acceptance of this statute was one reason for the resignation of Dr Ossola, a former deputy governor of the Bank of Italy. The new chairman of San Paolo di Torino is to be Mr Gianni Zandano, a banker and an economic adviser to Mr Ciriaco de Mita, leader of the Christian Democrat Party.

● Mr Terence F. Heenan has been elected president and chief operating officer of BRITISH COLUMBIA TELEPHONE CO., a subsidiary of GTE Corp. Since January 1982, Mr Heenan has served as president and chief executive officer of AEL Microtel, a part of British Columbia Telephone Co. He succeeds Mr Jack C. Carlile, who has retired.

Mr Robert F. Alexander has succeeded Mr Heenan as president and chief executive officer of AEL MICROTEL. Mr Alexander will also serve as chairman of the board of Microtel Pacific Research, Burnaby, British Columbia, and president of Viscount Industries, Vancouver, British Columbia, both subsidiaries of AEL Microtel.

Mr Fuyuhiko Maki, president of Kobe Steel

● Mr Fuyuhiko Maki, vice-president, has been named as president of KOBE STEEL of Japan. Mr Kokichi Takahashi has been appointed chairman, and vice-presidents Mr Taisuke Mori and Mr Yuzuru Kamitani vice-chairmen. They will formally assume their new posts, after obtaining an approval at a board meeting following the shareholders' meeting scheduled for the end of June.

● Mr Arthur E. Biggs has been appointed president of MOBIL CHEMICAL COMPANY, and Mr Robert O. Swanson has been appointed president and chief executive officer of CONTAINER CORPORATION OF AMERICA, both parts of the Mobil Corporation. Mr Biggs has been executive vice-president of Mobil Chemical Company since 1974. Mr Swanson has been executive vice-president of Container Corporation of America since 1982.

● The following corporate staff changes at THYSSEN-BORNEMISZA become effective in April: Mr Jack Moore is appointed general counsel and secretary. Mr Moore will combine his new function with his present responsibility as international tax counsel. Mr Ian C. M. Robertson is appointed vice-president controller. Mr Robertson, formerly responsible for international corporate practices, is now charged, among other duties, with developing corporate reporting and management information systems.

● Mr Robert H. Levi has been named chairman of KATALIN TIKS INTERNATIONAL of Baltimore. He has been a company director since 1981.

● Prof Gaston Gaudard has been appointed to the board of SWISS BANK CORPORATION, Basle.

● CORROON AND BLACK CORP has made senior management changes at its Louisiana and Nashville subsidiaries. Mr E. Joseph Kane has been appointed president and chief executive officer of Corroon and Black of Louisiana, which is headquartered in New Orleans. He succeeds Mr Kenneth E. Newburger, who has been promoted to chairman. Mr Frank F. White, Jr, executive vice-president of Corroon and Black's benefits and speciality sales group, chief executive of Corroon and Black of Nashville. The changes will be effective April 15. Mr Newburger joined Kessler-Rodenheimer, the predecessor of Corroon and Black of Louisiana, in 1968. Mr White joined a predecessor firm of Corroon and Black Benefits Inc, in 1965 as a sales representative.

● DOW CHEMICAL EUROPE has appointed Mr Henk R. M. Klia general manager for its Middle East, Africa region, replacing Mr Colin Goodchild, president of Dow Chemical Pacific. Mr Klia was previously commercial director for Dow Middle-East, Africa.

FT INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amex O/S Fin. 10¾ 90	100	97⅞	98⅜	0	+0¼	10.69
Amro Bank 13 89	200	107⅛	107⅝	−0⅛	−0⅛	11.30
Bk. of Tokyo Hd. 11 90	100	99¼	99¾	−0⅛	+0⅛	11.10
British Col. Hyd. 10¼ 88	200	98½	99	0	−0⅜	10.58
British Col. Hyd. 15¾ 92	150	118⅝	119⅛	0	+0½	11.74
Canada 14¾ 87	750	111⅞	112⅜	0	0	10.59
Canadair 12½ 89	175	106⅛	106⅝	−0⅛	−0⅛	11.02
Canadian Wheat 11¾ 90	50	101⅞	102⅜	0	+0⅛	10.80
Can. Pac. Sec. 15 89	75	109¾	110¼	0	−0¼	12.57
Coca Cola Int. 9⅞ 92	100	25½	26	+0⅛	+0¼	10.60
Coca Cola Int. 11¾ 89	100	104⅝	105⅛	0	−0⅛	10.58
Cr. Suisse BHA 10½ 90	150	99¾	100¼	−0⅛	−0⅛	10.49
Credit Suisse 10½ 89	100	101½	102	−0⅛	−0⅜	10.10
Deutsche Bk. F. 14¼ 89	300	112	112½	−0⅛	−0¼	11.39
Du Pont 11¾ 95	150	102⅝	103⅛	−0⅛	0	10.79
Du Pont 14½ 89 WW	200	108½	109	0	+0½	12.03
EDC 10⅜ 88	100	100⅛	100⅝	−0⅛	−0⅜	10.62
EDF 12¼ 87	150	103⅞	104⅜	−0⅛	+0⅛	11.48
EEC 10⅜ 95	75	95½	96⅛	−0⅛	−1	11.35
EEC 11½ 95	200	99⅝	100⅛	0	−0½	11.50
EIB 11 91	125	99⅜	99⅞	−0⅛	+0⅛	11.06
EIB 15½ 92	100	114⅛	114⅝	−0⅛	−0⅛	12.71
Exp. Dev. Cpn. 11⅛ 87	100	102⅝	103⅛	−0⅛	−0⅛	10.63
Forsmarks 13¾ 92	75	107⅛	107⅝	−0⅛	−0⅛	12.35
Gaz de France 12¼ 93	175	21¼	21¾	+0⅛	+0⅛	11.98
Gen. Elec. Credit 9¾ 91	100	15⅛	15⅝	0	+0⅛	10.80
Gen. Elec. Credit 12 89	100	106⅞	107⅜	−0⅛	−0⅛	10.40
GMAC O/S Fin. 10½ 90	200	99⅛	99⅝	0	+0⅛	10.61
GMAC O/S Fin. 15 87	100	110	110½	−0⅛	−0⅛	11.67
Gulf Oil Fin. 12¼ 87	100	104⅛	104⅝	−0⅛	−0⅛	10.87
Honeywell Int. 10⅜ 90	100	98½	99	0	−0⅛	11.01
IBM Wld. Trade 12⅛ 92	200	110	110½	−0⅛	−0⅛	10.46
Manitoba Prov. 11¾ 89	125	103⅝	104⅛	0	−0¼	10.83
Manitoba Prov. 13⅜ 89	100	109½	110	+0⅛	0	11.48
Midland Int. F. 11½ 92	150	101½	102	0	+0⅛	11.17
Nat. West. Fin. 11¾ 92	150	103½	104	0	+0⅛	11.07
New Brunswick 15⅜ 87	75	111¼	111¾	0	−0⅛	11.63
Newfoundland 15½ 90	75	114⅝	115⅛	0	+0⅛	12.24
Nippon Credit 11¼ 93	100	98⅜	98⅞	−0⅛	−0⅛	11.47
Nova Scotia Pr. 15¾ 89	75	113⅞	114⅜	0	−0⅛	11.89
OKB 10 91	100	95⅛	95⅝	−0⅛	−1	10.90
Ontario Hydro 11¼ 89	200	102⅞	103⅜	0	−0¼	10.66
Ontario Hydro 12⅞ 92	200	107⅝	108⅛	−0⅛	−0½	11.32
Ontario Hydro 15 92	150	117½	118	+0⅛	−0⅛	11.73
Prudential O/S 10⅝ 93	100	99⅝	100⅛	−0⅛	−0¼	10.62
Prudential O/S 12⅜ 87	150	107⅛	107⅝	0	−0⅛	10.52
Quebec Hy. 11½ 92 (D)	100	102⅛	102⅝	−0⅛	−0⅛	11.06
R. J. Reynolds 12⅜ 89	100	105⅞	106⅜	−0⅛	+0⅛	11.22
Saskatchwn. Pr. 10⅜ 90	125	99⅛	99⅝	0	−0⅛	10.85
SNCF 11½ 93	100	99⅝	100⅛	−0⅛	−0⅛	11.49
Swiss Bk. Cpn. 10⅜ 90	125	101⅛	101⅝	−0⅛	−1¼	9.94
Texaco Capital 9⅜ 90	150	95½	96	−0⅛	−0½	10.64
UBS 11 89	150	103⅜	103⅞	−0⅛	−0⅛	10.19
Walt Disney Pr. 12½ 89	75	105⅞	106⅜	−0⅛	−0½	11.02
World Bank 10⅜ 88	150	99	99½	0	−0⅛	10.67
World Bank 10⅞ 93	100	98⅝	99⅛	−0⅛	−0⅛	10.98
World Bank 11⅛ 98	100	98⅝	99⅛	−0⅛	−0⅛	11.23

Average price changes... On day −0⅛ on week −0⅛

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Aeroport Paris 8⅜ 92	80	100½	101	−0⅛	−0⅛	8.12
Australia 6⅞ 93	200	98⅞	99⅜	−0⅛	−0½	7.00
Australia 7⅞ 92	200	103½	104⅛	0	−0⅛	7.16
Bank of Tokyo 7⅜ 90	100	99⅝	100⅛	0	−0⅛	7.27
Bayer Capital 7⅝ 88	150	104⅝	105⅛	−0⅛	0	6.63
Caisse N. Energie 8 93	100	99⅜	100⅛	−0⅛	−0⅛	7.99
Caisse Nat. Tele. 7¾ 93	200	97⅞	98⅜	−0⅛	−0⅛	8.03
ECSC 7¾ 93	150	99	99½	−0⅛	−0⅛	7.60
EEC 7⅝ 95	200	99⅝	100⅛	−0⅛	−0⅛	7.76
EEC 8 94	200	100⅝	101⅛	0	−0⅛	7.86
Eurofima 7½ 91	100	101⅜	101⅞	−0⅛	−0⅛	7.22
Ferrovie Dello 8⅜ 88	150	102	102½	−0⅛	−0⅛	8.16
Gould Int. Fin. 8⅛ 89	75	103⅝	104⅛	0	+0⅛	7.50
H. J. Heinz Int. 6⅝ 88	90	100⅛	100⅝	0	+0⅛	6.62
Int.-Am. Dv. Bk. 8⅛ 93	150	101⅛	101⅝	0	0	8.03
Ireland 8½ 90	[illegible]	101⅝	102⅛	+0⅛	+0⅛	8.12
Ireland 8⅞ 91	150	102⅝	103⅛	+0⅛	+0⅛	8.36
ITT Antilles 7 93	200	98	98½	+0⅛	0	7.25
McDonalds Fin. 7⅜ 92	100	101½	102⅛	+0⅛	+0⅛	6.86
Mitsui OSK 7⅛ 88	100	100⅛	100⅝	−0⅛	−0⅛	7.11
Mount Isa Fin. 7⅝ 90	100	97⅞	98⅜	−0⅛	−0⅛	7.98
Quebec Hydro 8 93	200	102⅝	103⅛	−0⅛	0	7.57
Sweden Kingdom 8⅛ 89	150	101⅞	102½	0	−0⅛	7.81
Volkswagen Int. 7⅜ 93	200	97⅝	98⅛	−0⅛	−0⅛	7.54
World Bank 7⅛ 93	200	98	98½	+0⅛	−0⅛	7.50

Average price changes... On day 0 on week −0⅛

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Air Canada 6½ 95	100	99	99½	0	+0⅛	5.99
American Expre. 4¾ 93	100	96⅛	96⅝	−0⅛	−2⅛	5.21
Asian D. B. 5⅞ 95	100	99⅛	99½	+0⅛	−0⅛	5.95
ATR Finance 5⅞ 93	75	98⅛	98⅝	−0⅛	−0⅛	5.86
Carls-Tuborg B. 5⅝ 93	60	103	103½	0	+0½	5.34
Chugoku E. Pow. 6¼ 91	100	102½	102⅞	−0½	0	5.69
Chujitsuya Co. 5⅞ 93	50	98	98½	0	+0⅛	6.13
EIB 5¾ 93	100	99½	99⅞	−0⅛	−0⅛	5.82
Ex-Im. Bk. Japan 5 93	100	97½	97¾	+0⅛	0	5.31
First Interstate 6 92	100	104	104½	0	+0½	5.44
Fuji Electric Co. 6 93	100	100⅛	100⅝	0	+0⅛	5.95
Gothenb'g Airport 6 93	50	100	100½	−0½	−0⅛	5.98
HCA Finance 6 93	100	97¾	98	0	−0⅛	6.28
Manitoba Prov. 5⅝ 93	100	100⅝	101	−0⅛	−0⅛	5.73
Nippon Express 6 93	50	100½	101	−0⅛	−0⅛	5.89
Nippon Kokan 6⅛ 93	100	98⅛	98½	0	0	6.12
Norsk Hydro 5½ 98	100	98⅛	98⅝	0	0	5.66
[illegible] 6⅜ 93	60	101⅜	102	−0⅛	−0⅛	6.48
Quebec 5¾ 92	100	102⅛	102½	−0½	−0⅛	5.42
Shikoku El. Pow. 6⅛ 93	100	98	98½	0	+0⅛	5.88
Tohoku El. Power 6 93	100	100⅛	100⅝	−0⅛	−0⅛	5.90
Transcanada Pipe 5⅝ 93	100	99	99½	−0⅛	−0⅛	5.87
Trizec Corpn. 6⅛ 91	100	101⅛	101½	−0⅛	+0⅛	6.03
Un. Bk. Norway 5⅞ 93	60	97½	98	−0⅛	+0⅛	5.68
Volvo 5⅜ 91	60	101½	101¾	−0½	−0⅛	5.11
World Bank 5½ 93	100	100⅛	100½	−0⅛	−0⅛	5.45

Average price changes... On day −0⅛ on week −0⅛

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Australia 8⅛ 92	15	105⅞	106	0	0	7.75
EIB 8¼ 92	15	102⅝	103	0	0	7.83
Japan Airlines 7⅞ 87	9	†101⅛	101⅝	0	+0⅛	7.40
New Zealand 7⅞ 89	15	100⅞	101⅜	+0⅛	+0½	7.35
World Bank 8⅛ 92	20	103⅛	103⅞	0	0	7.81

Average price changes...On day 0 on week +0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
CEPME 12½ 90 C$	50	†98½	99	0	+0⅛	12.78
Farm Credit 12⅛ 88 C$	50	†101⅛	102	0	+0⅛	11.61
Gaz Metro 14½ 92 C$	40	†102⅝	103⅛	0	−0½	13.67
Imprv. Pipe. 12⅜ 93 C$	80	†98½	99	0	0	12.47
Pancanadian 12½ 93 C$	50	†99⅝	100⅛	0	+0⅛	12.49
Quebec Hyd. 14 92 C$	60	†107⅛	107⅝	0	+0⅛	12.57
Swed. E. Cr. 12⅛ 88 C$	50	†102½	103½	0	0	11.38
EIB 11¾ 91 ECU	80	99⅝	100	0	−0⅛	11.81
Queb. Prv. 11⅛ 89 ECU	50	96⅞	97⅜	0	+0⅛	12.29
Amfas 9½ 87 Fl	80	103⅜	104⅛	0	−1	8.39
Austria 7½ 88 Fl	100	100	100½	0	−0⅛	7.43
Nederland Gas 7½ 88 Fl	100	100⅛	100⅝	+0⅛	−0⅛	7.40
Neder. Midbk. 8⅛ 87 Fl	100	104⅛	104⅝	+0⅛	−0⅛	8.00
Quebec Prov. 7⅛ 88 Fl	100	99	99½	0	−0⅛	7.68
World Bank 7 88 Fl	150	98	98½	0	−0⅛	7.44
OKB 14 88 FFr	400	100⅞	101⅛	0	+0⅛	13.86
Solvay et C. 14⅜ 86 FFr	200	100⅞	101⅜	0	+0⅛	14.32
BFCE 14½ 87 £	30	107⅛	108⅛	+0⅛	−0⅛	11.90
CECA 13½ 88 £	20	105⅛	106⅛	0	−0⅛	11.93
CNT 12¼ 89 £	20	100⅞	101⅞	0	−0½	12.14
EEC 11⅞ 91 £	50	98⅛	99⅛	0	−0½	11.93
Fin. for Ind. 12⅜ 88 £	30	102½	103½	−0⅛	−1⅛	11.44
F. Mat. Granj. 12⅝ 92 £	20	100⅝	101	0	+7⅛	12.80
Gen. Elec. Co. 12½ 89 £	50	104⅞	105⅞	+0⅛	−0⅛	11.17
Hiram Walker 14⅜ 86 £	25	106⅛	107⅛	−0⅛	−0½	11.30
Mort. Bk. Fin. 11⅝ 89 £	15	26⅜	27⅜	+0⅛	0	12.46
Norsk Hydro 12 90 £	30	101	101⅛	0	0	11.67
Norsk Hydro 14½ 87 £	30	107½	108½	0	−0½	11.82
Quebec 14½ 89 £	30	108⅛	109⅛	+0⅛	+0½	12.27
SDR France 15½ 92 £	30	106⅝	107⅝	+0⅛	−0⅛	14.02
SNCF 11½ 89 £	30	96⅞	97⅞	−0⅛	−1⅛	12.18
Tenneco Int. 14⅜ 87 £	30	107⅞	108⅞	+0⅛	+0⅛	12.08
World Bank 11⅞ 91 £	75	97⅛	97⅞	0	−0⅛	11.87
Euratom 11 93 LuxFr	500	102⅛	103⅛	0	+0⅛	10.48
Europarat 12½ 92 LuxFr	500	104⅛	105⅛	0	+0⅛	11.61

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Bk. of Tokyo 5⅛ 91 (D)	0⅛	100⅛	100⅝	10/6	9¾	9.70
BFCE 5⅛ 88	0⅛	99⅛	99⅝	20/7	9⅛	9.30
BFCE 5⅛ 87	0⅛	99⅝	100⅛	27/7	9.94	9.95
Caisse Nat. Tele. 5⅛ 90	0⅛	99⅛	99⅝	21/10	9.56	9.60
CCF 5⅛ 95	0⅛	99⅝	100⅛	7/10	10.19	10.19
CCF 5⅛ 98	‡0⅛	99⅝	100⅛	24/6	9.84	9.88
CEPME 5⅛ 88 WW	0⅛	99⅛	99⅝	3/6	5⅛	6.27
CEPME 5⅛ 92	0⅛	99⅝	100⅛	10/6	9.94	9.94
Chemical NY 5⅛ 94	‡0⅛	100⅛	101	23/6	9⅞	9.80
Credit Agricole 5⅛ 97	0⅛	99⅝	100⅛	24/9	10	10.01
Credit du Nord 5⅛ 92	0⅛	99⅞	99⅝	23/6	10⅛	10.21
Credit Lyonnais 5⅛ 97	0⅛	99½	100	1/10	10.06	10.09
Credit Lyonnais 5⅛ 94	0⅛	99⅝	99⅞	5/7	9⅝	9.79
Credit Nat. 5⅛ 94	0⅛	99⅞	99⅝	9/9	9⅝	9.33
EDF 5⅛ 95 XW	0⅛	99⅝	99⅞	10/8	10	10.04
Kansallis Osake 5½ 92	0⅛	99⅞	100⅛	6/5	10.06	10.06
Long Term Cred. 5⅛ 92	0⅛	100	100½	27/5	10⅛	10.11
J. P. Morgan 5⅛ 97	‡0⅛	100⅛	101⅛	12/5	9½	9.42
New Zealand 5⅛ 87	0⅛	100⅛	100⅝	7/10	10.06	10.00
NZ Steel Dev. 5⅛ 92	0⅛	100	100½	22/6	10.19	10.16
Nippon Credit 5⅛ 90	0⅛	100	100½	10/8	9⅞	9.85
Scotland Int. 5⅛ 92	0⅛	100⅛	100⅝	23/9	9.94	9.89
Sec. Pacific 5⅛ 91	0⅛	99⅝	100⅛	24/6	10.06	10.08
Societe Generale 5⅛ 95	0⅛	99⅝	99⅞	1/9	9½	9.54
Standard Chartd. 5⅛ 91	0⅛	100	100½	18/5	10.69	10.66
Sweden 5⅛ 93	0⅛	99½	100	3/8	10.19	10.21
Sweden 5⅛ 89	0⅛	99⅝	100⅛	26/8	9⅝	9.64

Average price changes... On day 0 on week 0

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Ajinomoto 5⅛ 96	7/81	933	99⅛	100	−1⅛	17.89
Bridgestone Tire 5½ 96	3/82	470	109⅝	110⅛	−0⅛	4.17
Canon 7 97	7/82	748.2	184⅛	186⅛	−1½	−0.86
Fujitsu Fanuc 4¼ 96	10/81	5614	119⅛	121⅛	−1⅛	32.20
Hitachi Cable 5⅛ 96	2/82	515	98	99½	+0⅛	9.44
Hitachi Cred. Cpn. 5 96	7/81	1612	94⅝	96⅛	−0⅛	9.05
Honda Motor 5½ 97	3/82	769.6	114⅛	115⅛	−0⅛	3.77
Kawasaki 5⅛ 96	9/81	229	86⅛	87⅛	−0⅛	28.87
Kumagai Gumi 6⅛ 97	10/82	400	111⅛	113	+0½	0.65
Kyowa Hakko 6⅛ 97	2/83	762	103⅛	104⅛	0	10.96
Marui 6 96	7/81	769.5	124	125½	−0⅛	5.83
Minolta Camera 5 96	10/81	826.4	85½	87	−0⅛	49.81
Murata 5⅛ 96	7/81	1971	116⅛	117⅛	−2⅛	15.62
Nippon Electric 5⅛ 97	2/82	785.9	125⅞	127⅛	−0⅛	5.37
Nippon Oil Co. 5½ 98	4/83	984	96⅛	97½	−0⅛	6.94
Nissan Motor 5⅛ 98	4/83	770	96⅛	97⅛	−0½	1.91
Olympus Optic. 6⅛ 97	12/82	1331	100½	102	−1⅛	7.79
Orient Finance 5⅛ 97	3/82	1205	105	106½	−2⅛	32.19
Sumitomo Elec. 5⅛ 97	3/82	677.3	99⅛	100⅛	−0⅛	7.16
Sumitomo Met. 5⅛ 96	10/81	298.1	79⅛	80⅛	0	52.06
Fujitsu 3½ 93 SwFr	3/83	968	108	109	0	11.11
Sharp Cpn. 3½ 93 SwFr	3/83	1180	112⅛	112½	+1	−0.08
Konishiroku 6⅛ 88 DM	4/82	616	111	112	−0½	7.90
Mitsubishi H. 6 89 DM	2/82	263	107	108	+0½	17.66
Sum Realty 6⅛ 92 DM	2/83	395	115⅛	116⅛	+1	−0.65

EUROBOND TURNOVER
(nominal value in $m)

	Cedel	Euro-clear
U.S. $ bonds		
Last week	5,085.2	11,982.4
Previous week	5,262.1	8,827.2
Other bonds		
Last week	1,344.0	729.1
Previous week	1,029.5	741.1

* No information available—previous day's price.

† Only one market maker supplied a price.

STRAIGHT BONDS: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn=The current coupon. C.yld=The current yield.

CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The list shows the 200 latest international bonds for which an adequate secondary market exists. The prices over the past week were supplied by: Kredietbank NV; Credit Commercial de France; Credit Lyonnais; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Generale du Luxembourg SA; Banque Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring and Pierson; Credit Suisse/Swiss Credit Bank; Union Bank of Switzerland; Akroyd and Smithers; Bank of Tokyo International; Chase Manhattan; Citicorp International Bank; Credit Commercial de France (Securities). London; Daiwa Europe NV; Deltec Securities (UK); EBC; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Kidder Peabody International; Merrill Lynch; Morgan Stanley International; Nomura International; Orion Royal Bank; Robert Fleming and Co.; Samuel Montagu and Co.; Scandinavian Bank; Societe Generale Strauss Turnbull; Sumitomo Finance International; S. G. Warburg and Co.; Wood Gundy.

Closing prices on April 22

UK COMPANY NEWS

Pergamon leaps to £22m and sees further advance

A SIGNIFICANT increase in profits is reported by the privately-owned Pergamon Press, for 1982 and another considerable improvement is predicted for this year.

Trading profits were more than doubled at a record £28.47m, against £14.45m, while pre-tax figures jumped from £9.27m to £22.39m. Earnings per 10p share climbed to 115.9p (56.4p).

The results incorporated the effect of the return to profitability at British Printing and Communications Corporation in which Pergamon owns 77.7 per cent of the shares.

BPCC announced a 1982 profit before interest and tax earlier this month totalling £19.81m. Pergamon itself again improved its profitability, earning £9.66m before interest and tax. Its pre-tax figure, after interest, advanced from £5.87m to £10.03m.

This enabled Pergamon to use £5.02m in group tax relief which will be paid to BPCC in respect of Pergamon's 1982 profits—further substantial payments will be made to BPCC in respect of Pergamon's profits this year.

Mr Robert Maxwell, the chairman, says that with demand beginning to pick up in all areas and the quality of facilities and resources now available, he is confident that the group will continue to increase its growth in terms of market penetration, turnover and profitability.

The group's pre-tax profits from publishing, educational supplies and database services increased by 22 per cent to a record £8.53m (£6.99m). The result was after charging £0.8m (£0.6m) on the group's expenses in the fields of electronic publishing, computerised information storage and retrieval and related activities. Over 75 per cent of the group's publishing turnover is exported.

The printing division—consisting of the Aberdeen University Press and Wheatons of Exeter—made a reduced trading loss of £460,000, compared with £631,000.

Group turnover for 1982 increased from £206.19m to £286.64m. Pre-tax profits were struck after interest of £7.59m (£4.66m), associates' contributions of £77,000 (£67,000) and exceptional credits of £444,000 (£590,000 debits).

Net profits rose from £8.95m to £18.89m, after tax of £996,000 (£314,000) and group relief of £2.51m this time. At the attributable level, there was a turnround from a £5.56m loss to a £13.82m profit, after deducting minorities of £2.99m (£1.22m), exchange losses £0.37m (£0.34m gains) and extraordinary debits of £1.71m (£13.63m).

The extraordinary items comprised group rationalisation costs of £5.65m (£17.61m), less profits on sale of properties £856,000 (nil) and subsidiaries £94,000 (nil), minorities £481,000 (£3.98m), and group relief £2.51m (nil).

Last year, Pergamon spent £2m on purchasing E. J. Arnold and Son and R. Pollard Associates and a further £3m in buying 85 per cent of Hollis Bros and ESA. In addition, £1.8m was spent on capital equipment.

A profit of £1.58m was made on dealings in UK Government Stocks and Listed Securities, compared with a £0.66m loss for 1981.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims: S. Lyles.

Finals: Bodycote International, A. Card, Hammerson Property Investment and Development, Hoskins and Horton, I. & J. Hyman, Mitel Corporation, Petrocon, Renown Incorporated, Simon Engineering, United Friendly Insurance, Viking Resources, Wingate Property Investments.

FUTURE DATES

Interims:	
Beggeridge Brick	May 10
British Assets Trust	Apr 27
Benergy Capital	Apr 26
Samuel Properties	Apr 28
Finals:	
Allied Leather Industries	May 26
Boot (Henry)	Apr 29
Causton (Sir Joseph)	Apr 29
Francis Industries	Apr 28
Padang Senang Rubber	Apr 26
Yule Catto	Apr 28

'Tiny' writes to Harrods managers

MR ROLAND "TINY" ROWLAND, chief executive of Lonrho, has written a letter to 14 top managers of Harrods, the store Lonrho is seeking to separate from House of Fraser.

Mr Rowland asks the managers whether they have studied two working party reports, each of more than 300 pages, prepared by House of Fraser and a report of more than 100 pages prepared by Lonrho director, Mr Terry Robinson, who often represents Lonrho on the board of House of Fraser.

"I assume that in view of the confidentiality limitations, you have not been able to study each of these documents with the many facts, considerations, and reservations which are essential reading. If you have not been able to study all these vital documents, on what basis were you able to recommend shareholders and staff to vote against the demerger?"

Mr Rowland was responding to an earlier circular dispatched this week by the Harrods top management to shareholders saying that a demerger would be wrong for Harrods, the shareholders and staff.

"Why do you say that surplus cash generated by Harrods should provide investment funds for the rest of House of Fraser group rather than additional dividends for shareholders?" Mr Rowland asks. "No doubt when you presumed to advise House of Fraser shareholders you considered this point. I am surprised you have not mentioned it. I would like to know your reasons."

"You claim that there are trading benefits from shared market information and trading data. That is a matter of opinion, but it is only one factor. Are you saying that when Harrods was independent it did not have all such information it required? Are you really saying that a separate and unique Harrods would not be able to get such information and data?"

He concludes: "are you asserting that the signatories (of the management circular) comprise the whole of the top management? If not, what authority did you have to commit the others to the recommendation and to a continuation of a system whereby you and your colleagues share only some 20 per cent of the profit linked share plan while earning over 80 per cent of the profits of House of Fraser?"

Sun Alliance's resolve on underwriting

THE Sun Alliance Insurance Group does not intend to allow its current strong stock position to reduce its resolve to underwrite responsibility claimed Lord Aldington, in his chairman's statement accompanying the 1982 report and accounts.

He reaffirmed that the only way to achieve a proper return on the assets was to continue to underwrite in a responsible manner.

He pointed out that the underwriting experience in 1982 deteriorated for two reasons, more intense competition in most of the world insurance markets and continuing economic recession reducing world trade and hence the amount of insurance business.

During the year, shareholders funds of the group rose from £646m to £883m and long-term business funds from £1.22bn to £1.58bn. Lord Aldington points out that the group's investments are now shown in the balance sheet at their market value, while property valuations will now be made at yearly instead of three-yearly intervals.

The bulk of the general insurance funds went into fixed interest securities, while in the main life fund £60m of the new money was invested in gilts. The life fund also invested £13m in equities and £19m in property, offset by £8m of sales. The group's property investment is mainly through direct development.

As already reported, profit attributable to shareholders in 1982 was cut from £41.8m to £36m following underwriting losses rising from £36.8m to £70.9m. The solvency margin at the end of 1982 was 112 per cent.

MINING NEWS

RTZ looks on Papua arm to push up profits

By Kenneth Marston, Mining Editor

THE Rio Tinto-Zinc group's Bougainville copper-gold operation in Papua New Guinea is looking for increased profits this year in line with the further improvement expected in copper prices and the net benefits of the recent devaluation of the PNG kina.

At yesterday's annual meeting Mr Don Vernon, the chairman, said that with the help of higher copper prices in the first quarter of this year the company was able to make loan repayments of U.S.$50m (£32.4m). This, together with lower interest rates, should reduce the company's interest payments which amounted to K16.1m (£11.9m) last year.

Mr Vernon said that the gradually strengthening U.S. economy and the effect of production cutbacks should produce a gradual rise in copper prices this year as demand improves. Those for gold and silver should be at least maintained.

Bougainville's copper production rose in the first quarter thanks to the two new ball mills. These will provide a higher ore throughput this year which will also have the effect of increasing copper production and will assist in offsetting the future expected decline in ore grades.

In the first half of last year Bougainville lost K14.64m, but a strong recovery in the second half left the mine with a net profit for the full year of K11.2m compared with K32.79m in 1981.

The mine thus earned K25.84m in the second half which exceeded the total for the previous full year. This suggests that earnings could advance sharply in 1983.

Indonesia offered 20% of Inco unit

CANADA'S Inco has offered a 20 per cent stake in its PT International Nickel Indonesia unit to the Indonesian Government. Announcing this at the Toronto meeting of Inco, Mr Charles Baird, the chairman, added that Indonesia was considering the offer.

Inco owns about 99 per cent of the Indonesian subsidiary and under the terms of the latter's agreement with Indonesia the country's Government has been offered—and has declined—a 2 per cent stake in the company in each year since 1980.

Mr Baird said: "We would like very much to have them as formal shareholders," adding "we have had discussions from time to time with other potential investors in PT International Nickel."

He also said that Inco itself will not return to profitability in the current quarter but the result will be substantially better than in the first quarter when there was a loss of US$76.9m (£49.5m).

He pointed out that "start-up costs will be modest in the current quarter by comparison with the heavy shutdown costs experienced in the first quarter and we should enjoy somewhat higher nickel prices."

Philippine mines confident

EXUDING confidence about near- and medium-term prospects, *Manila Mining Corporation has* doubled its capital to Pesos 50m (£3.4m) and Philex Mining has decided to expand milling capacity, *reports* Leo Gonzaga from Manila.

Manila Mining, which resumed operations in January after a long period of inactivity, is a small producer of gold with silver as a by-product in Surigao del Norte province, Southern Philippines. Philex is a major producer of copper with gold and silver by-products in Benguet province on the main Philippine island of Luzon.

Meanwhile, Benguet Exploration has reported a net income of Pesos 5m for 1982 compared with Pesos 6m in the previous year. The company produces *gold, silver, zinc and copper* from complex orebodies in the same area where Philex has its mining an milling facilities.

Benguet recently announced that it is to diversify into agriculture, specifically mango and vegetable growing to be integrated later with canning in *partnership with the Hong Kong*-based Tin Liu Trading.

H. Evans (Pressings)

Following a request from the directors to the company's bankers, receivers have been appointed to H. Evans (Pressings), based in Redditch.

David Terry and Philip Baldwin of accountants Price Waterhouse were appointed on April 21 1983 and are at present reviewing the position with a view to selling the business as a going concern.

PENTOS DISPOSAL

Pentos has sold its Metalair subsidiaries to Blue Circle Industries for £1.21m.

OTTOMAN BANK

NOTICE IS HEREBY GIVEN that, in accordance with Article 29 of the Statutes, the ANNUAL GENERAL MEETING of Shareholders will be held on FRIDAY, the 27th MAY 1983, in THE QUEEN'S ROOM, THE BALTIC EXCHANGE, 14-20 ST. MARY AXE, EC3A 8BU at 11 a.m. to receive a Report from the Committee with the Accounts for the year ended 31st December 1982; to propose a Dividend; and to elect Members of the Committee.

By Article 27 of the Statutes the General Meeting is composed of holders, whether in person or by proxy or both together, of at least thirty shares, who, to be entitled to take part in the Meeting, must deposit their shares and, as may be necessary, their proxies at the Head Office of the Company in Istanbul or at any of the branches, or in London at Dunster House, 3rd Floor, Mincing Lane, EC3R 7DN or in Paris at 7 rue Meyerbeer, 75009, at least ten days before the date fixed for the Meeting.

The Report of the Committee and the Accounts which will be presented to the General Meeting are available to the Shareholders at the Head Office in Istanbul and at the offices in London and Paris.

T. R. STEPHENS
Secretary to the Committee

25th April 1983

Granville & Co. Limited

(formerly M. J. H. Nightingale & Co. Limited)

27/28 Lovat Lane London EC3R 8EB Telephone 01-621 1212

Over-the-Counter Market

£000's capitalisation	Company	Price	Change on week	Gross div.(p)	Yield %	P/E Actual	P/E Fully taxed
4,465	Ass. Brit. Ind. Ord.	134	−1	6.4	4.8	7.8	10.2
—	Ass. Brit. Ind. CULS	151	+1	10.0	6.6	—	—
3,589	Airsprung Group	62xd	—	6.1	9.8	17.7	17.7
750	Armitage & Rhodes	30	—	4.3	14.3	3.3	5.9
19,552	Bardon Hill	320	+2	11.4	3.6	13.4	17.0
1,788	CCL 11pc Conv. Pref.	143	+1	15.7	11.0	—	—
3,320	Cindico Group	210	—	17.6	8.4	—	—
3,946	Deborah Services	51	−1	6.0	11.8	3.4	9.1
5,483	Frank Horsell	97	—	—	—	8.1	8.7
—	Frank Horsell Pr Ord 87	95½	—	8.7	9.1	10.6	11.4
8,957	Frederick Parker	62	—	7.1	11.5	3.9	6.2
627	George Blair	34	—	—	—	5.9	12.3
3,168	Ind. Precision Castings	78	−2	7.3	9.4	10.0	12.6
3,836	Isis Conv. Pref.	164	+1	15.7	9.6	—	—
3,643	Jackson Group	144	+2	7.5	5.2	4.4	9.2
29,260	James Burrough	212	+2	9.6	4.5	15.5	17.2
1,377	Robert Jenkins	152	+2	20.0	13.2	1.7	24.1
3,680	Scruttons "A"	71	—	5.7	8.0	9.2	11.1
2,807	Torday & Carlisle	115	+1	11.4	9.9	5.2	8.8
4,062	Unilock Holdings	26	+½	0.46	1.8	—	—
8,542	Walter Alexander	67	—	6.4	9.6	4.8	6.9
6,183	W. S. Yeates	265	+1	17.1	6.5	4.1	8.5

Prices now available on Prestel page 48146.

RECENT ISSUES

EQUITIES

Issue price	Amount paid up	Latest Renunc. date	1983 High	1983 Low	Stock	Closing price	+ or −	Net Div.	Times Covered	Gross Yield	P.E. Ratio
140	F.P.	15/4	145	128	✠Airship Inds.	128	−7	—	—	—	—
—	F.P.	—	100	95	Atl'tc M'trp'n U.S.0.10	85	−11	Q8c	0.6	4.2	28.8
§68	F.P.	—	103	96	✠Bensons Crisps 10p	96	−3	g1.9	3.1	2.8	12.7
§110	F.P.	—	160	140	✠Bryant (Derek) 10p	140	......	u5.25	2.0	5.4	13.7
¶225	F.P.	6/5	253	228	Datastream 5p	227	−3	b2.25	3.5	1.4	28.7
‖	F.P.	—	60	34	✠Intervision Video 10p	38xd	+2	1.0	2.1	4.0	14.2
§80	F.P.	—	132	110	✠Lorlin Elect. 20p	130	+10	b1.0	5.0	1.1	21.7
§60	F.P.	—	145	128	✠Miss World Grp. 10p	128	−1	b3.0	2.5	3.4	17.3
§£48	F.P.	—	£67	£60	Perstorp AB Free 'B'	£60	......	Q9.84%	5.2	0.7	28.5
‖	F.P.	—	35	27	✠Rivlin L. D. & S. 5p	35	......	F0.1	—	0.4	—
§72	F.P.	30/3	115	89	✠Utd. Packaging 10p	108	......	b2.5	3.2	3.4	11.2
‖	F.P.	—	44	38	✠Yorkgreen Inv. 10p	38	−2	b1.4	2.5	5.3	8.5

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc date	1983 High	1983 Low	Stock	Closing price £	+ or −
‖	Nil	—	38pm	15pm	Bifurcated Con. Cum. Red. Pref. '91-93	38pm	−20
—	£25	—	24¾	24½	Brixton Est. 11¾pc Deb. 2018	24½	......
—	£20	—	19½	19¼	Bristol 11½ pc Red. 2008	19¼	......
¶¶	F.P.	20/5	98	95	Brooke Tool 17% Conv. Cum. Prf. 50p	97	+2
§100	Nil	—	17pm	12pm	Eastern Prod. 10½% Con. Uns. Ln. '97-2002	15pm	......
¶101	£10	—	12	11½	Folkestone&Dist. Water 7% Red. Pref. '88	11½	......
18	£25	30/6	28	24¼	Hambros Inv. 6-17% Stpd. Deb. 2018	27	+½
‖ ‖	F.P.	—	225p	130p	✠Intervision 7% Cnv. Red. Prf.	130p	......
—	—	—	100⅝	99	Nationwide Bdg. Soc. 11¼% Bds. 18/5/84	100⅝	......
—	—	—	100⅜	100½	Do. 11¼% Bds. 9/4/84	100⅜	......
¶¶	F.P.	20/5	14p	11p	Newman Inds. 10% Cm Cnv Red. Prf. 10p	14p	......
¶¶	F.P.	—	102	101½	NewThrogmortonTst.(83)12.5pcD.2008	101½	......
§97.174	£25	6/5	32¾	22	Pearson (S) 13% Uns. Ln. 2007	31¾	−¼
99.778	£25	—	26	25	Sunderland 11¾% Red. 2008	25	−⅛
¶100	F.P.	9/6	102	101½	Sutton Dist. Water 7% Pref. 1988	101½	......
‖	Nil	—	12pm	7pm	Tomatin Distillers 7pc Cum. Cnv. Pref.	7pm	......
100	F.P.	—	108p	105p	Wellman Eng. 10% Cum. Irr. Conv. Pref.	105p	−1

"RIGHTS" OFFERS

Issue price	Amount paid up	Latest Renunc. date ●	Latest Renunc. date ■	1983 High	1983 Low	Stock	Closing price	+ or −
78	F.P.	12/4	15/5	94	86	✠Aldcom Int. 10p	87	−2
55	Nil	26/4	3/6	51pm	42pm	BSR 10p.	48pm	+1
10	F.P.	8/4	20/5	15½	11½	Bluemel Bros.	14	......
155	F.P.	8/4	31/5	206	175	Brit. Car Auctions 10p	205	−1
220	Nil	26/4	20/5	78pm	50pm	Collins (William)	78pm	+3
175	Nil	28/4	20/5	75pm	45pm	Do. A	75pm	+2
45	Nil	30/4	3/6	8pm	5pm	Comben Grp. 10p	5pm	......
22	Nil	29/4	24/5	4pm	1½pm	East Rand Cons. 10p	4pm	+1
95	F.P.	18/4	16/5	116	105	Ferguson Ind	110	......
385	F.P.	—	27/5	620	522	Fisons £1	610	−10
102	F.P.	7/5	29/5	120	113	✠Garfunkels 10p	120	......
163	F.P.	11/5	10/6	188	162	Geers Gross 10p	182	......
30	F.P.	12/4	20/5	51	40	Guinness Peat	50	......
162	Nil	27/4	19/5	18pm	6pm	Hampton Gld Mining 10p	18pm	+1
260	F.P.	15/4	13/5	330	304	Harris Queensway	324	......
198	Nil	—	—	48pm	12pm	✠Immediate Business 10p	20pm	−5
Ir£0.90	F.P.	—	—	95	92	Irish Distillers	95	......
185	F.P.	20/4	17/6	317	215	LASMO	307	−10
110	Nil	—	—	15pm	7pm	Leisuretime Int. 10p	4pm	−3
140	F.P.	28/3	6/5	184	175	Magnet & Southerns	178	−2
290	Nil	—	—	115pm	82pm	Mills & Allen	82pm	−5
176	Nil	—	—	62pm	50pm	Mowlem (J)	50pm	−4
A$1.50	P.P.	26/4	26/5	113	67	North B. Hill 50c	113	+8
—	Nil	—	—	14½pm	11pm	Sheffield Brick	11pm	......
390	Nil	—	—	58pm	40pm	Standard Chartered Bank£1	47pm	−3
81	F.P.	28/3	6/5	100	97	Valor	98	−2
140	Nil	—	—	115pm	105pm	Warehouse Gp.	135pm	......
15	Nil	26/4	27/5	10½pm	7pm	Whittington Int'l	7pm	−¼

Renunciation date usually last day for dealing free of stamp duty. *b* Figures based on prospectus estimates. *d* Dividend rate paid or payable on part of capital: cover based on dividend on full capital. *g* Assumed dividend and yield. *u* Forecast dividend: cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1983. H Dividend and yield based on prospectus or other official estimates for 1983-84. Q Gross. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. ⊕ Figures or report awaited. § Placing price. *p* Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or take-over. ‖‖ Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants. ‡ *Effective issue price after scrip.* † *Formerly dealt in under special rule.*

PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except where the forthcoming board meetings (indicated thus*) have been officially notified. Dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

Company	Date	Announcement last year
AE	May 27	Interim 0.8
AB Foods	May 24	Final 2.9
Akroyd and Smithers	May 10	Interim 4.0
Allied Irish Bank	May 26	Final 5
Allied Lyons	June 2	Final 3.5
Anglo Am. Cpn. of SA	June 1	Final 75c
Assoc. Paper Industs.	May 11	Interim 1.0
Aurora	Apr 7	Final nil
Aust. and NZ Banking	May 17	Interim 14c
Avon Rubber	May 26	Interim 1
*BSG Int.	Apr 27	Final nil
BOC	May 17	Interim 2.8
*Bank of Ireland	May 12	Final 14.0
Beecham	June 3	Final 4.3
Bellway	May 12	Interim 3.0
*Blue Circle	Apr 28	Final 11.75
Boots	*May 27*	*Final 5.625*
*British Home Stores	May 9	Final 3.0
Brockhouse	May 20	Interim nil
Brown (M.)	May 17	Interim 1.35
Capital and Cnties. Prop.	May 26	Final 2.6
Cater Allen	May 25	Final due
*Clive Discount	Apr 26	Final 1
Coalite	June 2	Final 3.1
Coats Patons	May 12	Final 2.6
Common Bros.	May 19	Interim 1.429
Cookson	Apr 7	Final 5.96
Costain	May 11	Final 6.6
Courtaulds	*May 27*	*Final 2*
Debenhams	May 21	Final 4.324
De La Rue	June 2	Final 15.48
Dobson Park	June 4	Interim 1.9
Eastern Produce	June 4	*Final 3.22*
Electronic Rentals	June 3	Final 3.143
Euro Ferries	May 12	Final 2.1
Extel	May 27	Final 6.5
Flight *Refuelling*	*Apr 29*	*Final 2.35*
French Kier	May 4	Final 3.15
Gerrard Nat.	May 6	Final 10.75
*Grand Metropolitan	May 16	Interim 3.5
*Hall (Matthew)	May 11	Final 4.03
Harrisons and Crosfield	June 2	Final 20.5
Heath (C.E.)	May 18	Final 9.5
Hickson and Welch	June 3	Interim 2.5
*Laing (J.)	Apr 28	Final 1.875
Land Secs.	May 17	Final 5.65
London and Northern	May 19	Final 1.35
*Marks and Spencer	May 4	Final 2.85
Marley	June 2	Interim 1
MEPC	June 1	Interim
**Menzies (J.)*	*Apr 26*	*Final 3.05*
Mountview Ests.	June 3	Final 2.5
Nat. Bank Aust.	May 13	Interim 11c
North Brit. Props.	Apr 27	Interim 1.1
*P & O	May 4	Final 7.0
*Pearson (S.)	Apr 26	Final 7.35
Pleasurama	May 20	Interim 1.75
Plessey	May 27	Final 5.073
**Polly Peck*	*May 19*	*Interim due*
RHP	May 27	Interim 2
*Royal Bank Scotland	May 5	Interim due
Rush and Tompkins	Apr 22	Final 6.5
Sainsbury (J.)	May 5	Final 2.75
Samuel (H.)	May 26	Final 4.75
*Samuel Prop.	Apr 28	Interim 1.3
Sears	May 11	Final 1.8
*Simon Eng.	Apr 25	*Final 6.6*
Smurfitt (Jeff.)	May 12	Final 3.219
*Tarmac	Apr 26	Final 12.6
Tate & Lyle	May 26	Interim 4
*Telephone Rentals	Apr 27	Final 5.15
Tozer Kemsley and Millbourn	Apr 17	Final 0.3
Trafalgar House	May 12	Interim 3.5
Travis and Arnold	Apr 26	Final 3.69
UBM	June 3	Final 1
Vaux Brews.	May 13	Interim 2.75
Whessoe	May 11	Interim 2.0
Whitbread	*May 17*	*Final 3.4*
*Wimpey (George)	Apr 28	Final 1.95

* Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast.

Closing prices April 22

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

B—B—B

C—C—C

D—D—D

E—E—E

F—F—F

G—G—G

H—H—H

I—I—I

J—J—J

K—K—K

L—L—L

M—M—M

N—N—N

Continued on Page 25

AMERICAN STOCK EXCHANGE COMPOSITE PRICES

Closing prices April 22

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
19⅝	9½	AAV	.32	1.7	14	80	u20¼	18¾	18¾	−½
4⅝	2¼	AICPh				10	4⅝	4⅝	4⅝	−⅛
6⅞	1	ATI			14	213	3½	3¼	3¼	
11⅞	2	AcmePr			24	101	8¼	7½	7⅞	+⅛
21¼	16¼	AcmeU	.40	2.0	19	9	20	19¾	20	
29	2½	Action			8	166	u29⅞	28½	29	+½
9⅞	5⅛	Actons	.10t	1.4	41	35	7	6⅞	7	−⅛
3¼	⅞	AcWi	wt			19	1⅝	1⅝	1⅝	
5	1¼	AdmRs	.10	4.2		24	2⅞	2⅞	2⅞	
27⅞	12	AdRusl	s.10	4	25	78	25¼	25	25¼	+⅛
21½	11¼	Adobe	.20	1.2	11	76	17	16¼	17	+⅛
3⅞	2	AeqaiCp			10	206	3⅞	3½	3½	−⅛
21¼	9⅝	Aeroflx	1.50t	7.9	17	34	19⅜	19⅛	19⅜	−⅛
7	2⅞	Aeronca			12	154	6⅝	6½	6⅝	
25	18⅝	AlHlsp	.22	1.4	11	18	23¼	22⅞	22⅞	−¼
36¼	16	AlliPh	s.64	1.8	17	57	u36⅞	36	36¼	−¼
11	3⅞	AlrSir			8	42	10½	10¼	10¼	−⅛
15½	4⅝	AirExp				100	14⅝	14⅛	14⅜	−⅛
16⅞	3⅞	AlbaW	.15e	.9	17	71	16⅞	16⅝	16⅝	−⅛
52½	38	AlgC	wt			1	u53	53	53	+½
21⅞	6	AllenT	.75t	3.7		2	20½	20½	20½	−¼
12	6⅞	AlmySt		2.0	252	44	10	9⅞	10	+⅛
10⅝	5¼	AlphaA				88	7⅛	6⅞	7	−⅛
24½	10¼	Alpinel	.6		28	480	21⅞	21⅛	21⅝	−⅛
15⅛	7¼	Altamil	.40	2.8	8	6	14¼	14	14¼	+⅛
1½	½	Altec				83	1¼	1⅛	1¼	
8⅞	4⅞	Altec	pf			1	7⅞	7⅞	7⅞	−⅛
2⅞	1⅛	Altex				559	1½	1¼	1½	+⅛
7-16	1-16	Altex	wt			21	¼	¼	¼	+1-16
44½	17¼	Amdhl	.47				u44¼	42⅝	44⅜	+2⅞
[illegible]										

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Continued from Page 24

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										
22¼	17⅛	WalMt	2.48	11	7	98	22⅛	22	22¼	+⅛
61⅞	26⅞	Waste	.52	1.0	21	3756	50⅞	49	50¼	+1⅞
73½	27	Watkn	.60	.8	22	112	u74⅞	72½	74¼	+1½
12⅞	7¼	WayGos	.20	1.6	11	24	12½	12⅛	12⅛	−½
25¼	15¼	WayG	pf1.60	6.6		2	24⅞	24⅜	24⅜	−⅛
15⅞	5⅞	WebbD			31	495	15	14⅝	15	+⅝
34⅞	17⅛	WeisM	s.56	1.7	15	8	33½	33¼	33¼	
34¼	18¼	WellsF	1.92	5.8	6	317	33	32⅝	32⅞	
49⅞	47¼	WelF	pf			350	47⅝	47¼	47⅝	+⅛
30	17¼	WelFM	2.80	9.6	13	302	29½	29	29¼	

Continued on Page 26

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a–dividend also extra(s). b–annual rate of dividend plus stock dividend. c–liquidating dividend. cld–called. d–new yearly low. e–dividend declared or paid in preceding 12 months. g–dividend in Canadian funds, subject to 15% non-residence tax. i–dividend declared after split-up or stock dividend. j–dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k–dividend declared or paid this year, an accumulative issue with dividends in arrears. n–new issue in the past 52 weeks. The high-low range begins with the start of trading. nd–next day delivery. P/E–price-earnings ratio. r–dividend declared or paid in preceding 12 months plus stock dividend. s–stock split. Dividends begins with date of split. sls–sales. t–dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u–new yearly high. v–trading halted. vi–in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd–when distributed. wi–when issued. ww–with warrants. x–ex-dividend or ex-rights. xdis–ex-distribution. xw–without warrants. y–ex-dividend and sales in full. yld–yield. z–sales in full.

WORLD STOCK MARKETS

Indices

NEW YORK — DOW JONES

	April 22	April 21	April 20	April 19	April 18	April 15	1983 High	1983 Low	Since Cmpil't High	Since Cmpil't Low
◆ Industr'ls	1196.30	1188.27	1191.47	1174.54	1183.24	1171.84	1196.30 (22/4)	1027.04 (3/1)	1196.30 (22/4/83)	41.22 (2/7/32)
H'me Bnds	75.94	75.94	76.96	76.95	76.97	76.58	75.97 (18/4)	70.78 (8/2)	—	—
Transport.	527.24	531.16	531.65	525.41	529.78	523.94	531.53 (20/4)	454.24 (3/1)	531.56 (20/4/83)	12.32 (8/7/32)
Utilities	127.17	127.49	128.05	126.61	126.48	126.86	129.84 (5/4)	118.51 (3/1)	163.32 (20/4/69)	10.5 (28/4/42)
TradingVol 000's	92,270	106,178	110,240	91,210	88,560	88,590	—	—	—	—

◆ Day's high 1204.62 (1202.11) low 1184.21 (1180.92)

	April 15	April 8	Mar. 31	Year ago (Approx
Indust'l div. yield %	4.69	4.88	4.86	6.61

STANDARD AND POORS

	April 22	April 21	April 20	April 19	April 18	April 15	1983 High	1983 Low	Since Cmpil'n High	Since Cmpil'n Low
Indust'ls	179.76	179.17	180.08	177.75	178.94	177.74	180.08 (20/4)	154.95 (3/1)	180.88 (20/4/83)	3.62 (30/6/32)
§Comp's'te	160.42	160.05	160.71	158.71	158.74	158.75	160.71 (20/4)	138.34 (3/1)	160.71 (20/4/83)	4.40 (1/6/32)

	Apr. 20	Apr. 13	April 6	Year ago (approx
‡Indst'l div. yield %	4.04	4.14	4.30	5.72
Indust'l P/E ratio	13.75	13.40	12.94	7.75
Long Gov. Bond yield	10.44	10.41	10.46	12.92

N.Y.S.E. ALL COMMON

April 22	April 21	April 20	April 19	1983 High	1983 Low
92.15	91.95	92.29	91.16	92.29 (20/4)	80.92 (24/1)

Rises and Falls	April 22	April 21	April 20
Issues Traded	1,951	1,936	1,944
Rises	835	789	1,143
Falls	722	815	484
Unchanged	394	332	317
New Highs	202	291	261
New Lows	5	6	4

MONTREAL

	April 22	April 21	April 20	April 19	1983 High	1983 Low
Industrials	388.24	382.79	382.90	387.75	388.24 (22/4)	331.18 (4/1)
Combined	389.32	386.07	388.44	386.61	389.32 (22/4)	325.12 (4/1)
TORONTO Composite	2526.84	2512.6	2522.5	2278.5	2528.84 (22/4)	1949.6 (4/1)

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
Chrysler	2,757,900	25⅞	+1⅞	Pogo Prod.	1,154,100	23⅞	+4½
Amer. Motors	2,632,900	8	+⅜	ATT	1,013,800	66¾	−¼
Bank America	1,612,900	23¼	−¼	North. Indiana	886,000	14	—
Paradyne	1,523,200	21⅞	+1⅞	Gen. Motors	846,200	65⅝	+1½
Inst. Inv.	1,217,100	1⅞	+⅜	IBM Group	807,900	117⅛	+2¼

	Apr. 22	Apr. 21	Apr. 20	Apr. 19	1983 High	1983 Low
AUSTRALIA All Ord. (1/1/80)	587.4	590.5	581.1	587.1	597.4 (22/4)	487.3 (4/1)
Metals & Minls. (1/1/80)	547.6	542.1	535.3	546.5	547.6 (22/4)	411.3 (4/1)
AUSTRIA Credit Aktien (2/1/62)	54.42	54.90	54.74	54.67	54.74 (20/4)	48.48 (15/2)
BELGIUM Belgian SE (31/12/63)	121.83	121.66	120.85	121.32	122.88 (18/4)	108.50 (4/1)
DENMARK Copenhagen SE (3/1/83)	159.05	(u)	157.21	155.37	159.16 (15/4)	100.00 (3/1)
FRANCE CAC General (31/12/82)	119.6	120.0	119.3	121.0	121.0 (18/4)	96.1 (3/1)
Ind Tendance (31/12/82)	125.4	125.4	124.6	126.5	127.4 (12/4)	96.6 (3/1)
GERMANY FAZ-Aktien (31/12/58)	316.25	315.37	312.6	313.25	316.25 (22/4)	241.88 (25/1)
Commerzbank(Dec1953)	946.0	947.4	937.1	936.0	948.0 (22/4)	727.3 (25/1)
HONG KONG Hang Seng Bank (31/7/64)	1005.55	1004.46	1010.33	1045.18	1083.36 (14/4)	781.51 (4/1)
ITALY Banca Comm Ital.(1972)	196.27	191.11	195.66	186.70	214.83 (21/3)	160.45 (10/1)
JAPAN** Dow Average (16/5/49)	8565.12	8543.86	8564.48	8541.86	8582.55 (18/4)	7803.18 (25/1)
Tokyo New SE (4/1/68)	622.62	621.12	622.42	619.91	622.42 (20/4)	574.51 (25/1)
NETHERLANDS ANP-CBS General (1970)	125.9	128.4	126.3	128.4	131.8 (12/4)	100.1 (4/1)
ANP CBS Indust (1970)	105.3	105.7	104.3	106.5	109.2 (12/4)	83.5 (4/1)
NORWAY Oslo SE (4/1/83)	170.9	170.49	166.94	165.82	170.90 (22/4)	99.01 (4/1)
SINGAPORE Straits Times (1966)	817.91	812.69	802.75	806.69	817.91 (22/4)	712.29 (5/1)
SOUTH AFRICA Gold (1958)	885.5	906.1	862.6	906.1	1039.5 (1/2)	684.5 (28/3)
Industrial (1958)	940.5	931.3	924.4	903.5	940.5 (22/4)	740.9 (5/1)
SPAIN Madrid SE (31/12/82)	110.90	110.95	109.85	111.49	118.08 (13/4)	96.32 (11/1)
SWEDEN Jacobson & P. (1/1/58)	1396.67	1398.85	1358.29	1329.49	1398.85 (21/4)	898.16 (5/1)
SWITZERLAND SwissBankCpn.(31/12/58)	318.3	318.8	315.4	317.4	318.3 (22/4)	284.4 (4/1)
WORLD Capital Intl. (1/1/70)	—	174.2	174.2	172.9	174.2 (20/4)	154.3 (5/1)

(**) Saturday April 16: Japan Dow (c). TSE (c).

Base values of all indices are 100 except Australia All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors—10; and Toronto—1,000; the last named based on 1975. † Excluding bonds. ‡ 400 Industrials. § 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

AMERICAN STOCK EXCHANGE PRICES

Continued from Page 25

[illegible]

NEW YORK PRICES

Continued from Page 25

[illegible]

X—Y—Z

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low
44¾	27⅞	Xerox	3	6.7	9	6434	u45½	44⅜
52½	49⅜	Xerox	pf5.45	10		693	u52¾	52¼
28⅛	10⅜	XTRA		2.5	28	35	26	25¾
28⅝	17½	ZaleCp	1.26	4.6	37	458	u28	28⅜
20	14½	ZaleptA	.80	3.8		5	u22	22
21⅞	11⅝	Zapata	.84	5.3	8	698	16	15½
87½	31½	Zayre	.60	.7	18	64	85¾	85½
18¾	6¾	ZenithR				1080	17	15¾
33½	13½	Zero	s .48	1.5	20	450	32¾	32⅜
36⅛	19⅝	Zurnin	1.32	3.7	9	67	36¼	35⅞

AUSTRIA

[illegible]

BELGIUM/LUXEMBOURG

[illegible]

DENMARK

[illegible]

CANADA

[illegible]

FRANCE

[illegible]

GERMANY

[illegible]

ITALY

[illegible]

NETHERLANDS

[illegible]

NORWAY

[illegible]

AUSTRALIA

[illegible]

SINGAPORE

[illegible]

SWEDEN

[illegible]

SWITZERLAND

[illegible]

HONG KONG

[illegible]

JAPAN

[illegible]

SOUTH AFRICA

[illegible]

SPAIN

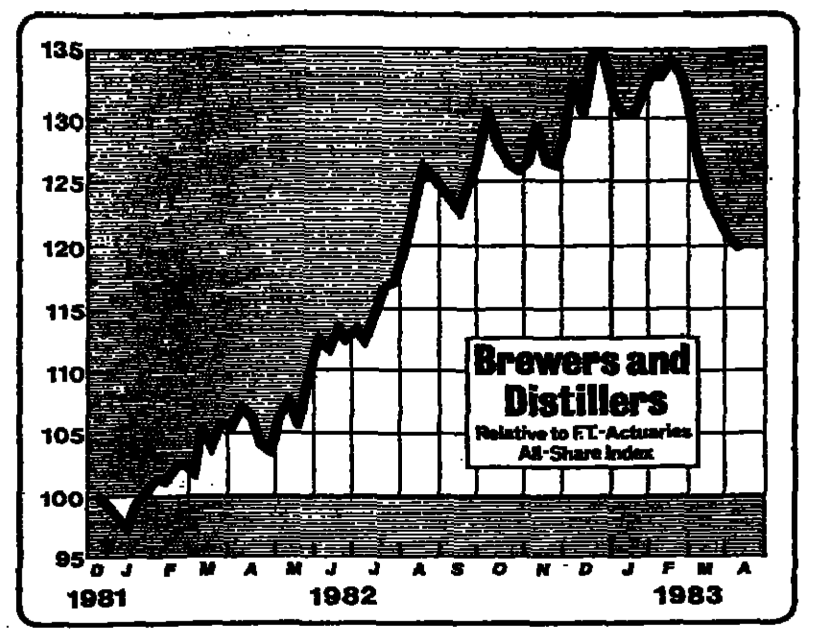
[illegible]

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

FINANCIAL TIMES SURVEY

Brewing

The industry is recovering its poise after several difficult years. Investment is being concentrated on the retailing side and there are hopes of a moderate recovery in demand



Left: Brewery shares are back in favour with investors, outperforming the FT Actuaries All-share index by 30 per cent last year. Right: Mr Charles Tidbury, chairman of the Brewers' Society and of Whitbread and Co, announced planned spending by the industry of £1.58bn during 1983/85, an increase of 8 per cent in real terms over the amount of the previous three years

CONTENTS

More emphasis on the pubs

BY GARETH GRIFFITHS

"WE ARE not mesmerised by the mash tun but see ourselves as pub operators," says Mr Allen Sheppard, group managing director of Grand Metropolitan and the man who runs Watney Mann and Truman Brewers. It is an approach that has become increasingly dominant in the British brewing industry as it faces the problems of a mature sector.

Beer sales in the UK have fallen by 12 per cent since their peak in 1979. The Brewers' Society estimates that in 1982 UK beer production was 36.5m bulk barrels compared with 41.7m bulk barrels in 1979. Production is now at the same level as the early 1970s, although the overall UK beer market is probably about 1m bulk barrels larger than the production figure thanks to imported beers.

Production in 1982 fell by 3 per cent as had been predicted. This year the Brewers' Society is looking for production to stabilise, with a very small rise of 0.5 per cent next year. However, it has refrained from any longer forecasts.

The industry's confidence was shaken by the sharp fall in demand since 1979. The myth that beer was recession-proof was shattered and brewers are worried by changing demographic patterns. By 1986 the post war baby boom will have peaked. This will reduce the numbers of young men, who tend to be the largest purchasers of beer, particularly in pubs.

Industry leaders such as Mr Derek Palmar, chairman of Bass, recognise that their companies can expect no further organic growth from beer and consequently are diversifying. Bass, for example, looks to expand its non-brewing interests to around 25 per cent of total turnover by the middle of the decade, compared with the present 16 per cent share.

That said, the prospects for brewing are somewhat better than the industry is saying publicly. The effect of the Budget in boosting consumer spending is bound to be favourable to an industry so exposed to the extent of people's disposable incomes. City analysts believe that the prospect for growth is more favourable than the brewers are admitting.

The industry has slimmed down considerably since 1979 and its cost structures are much more competitive. Whitbread, for example, has closed down seven breweries; Watney Mann and Truman has reduced its workforce by between 25 per cent and 30 per cent since 1980 and Allied-Lyons' closure of Ansells brewery in Birmingham took out capacity of about 1m bulk barrels. The total run-down in manning levels in the industry during 1980-1982 including related trades, has been estimated at more than 120,000 full-time employees. There have been considerable changes too in depot organisations and restrictive practices reduced.

However, brewers carry a high proportion of fixed costs such as brewing and packaging plant which have to be maintained regardless of production levels. Consequently any upturn in production will lead to disproportionately greater profit margins. Labour costs have been contained, with pay settlements running at around 5 per cent.

Capacity use

The industry has the capacity to produce about 55m bulk barrels and works at around two-thirds capacity. But technical improvements in high gravity brewing could boost overall capacity use considerably. There is a need to keep a relatively high level of slack in the system because beer demand is in part seasonal and tends to be higher in the summer months.

Mr Colin Mitchell, the brewing analyst of stockbrokers Buckmaster and Moore, argues that the industry has not yet solved its problem of over-capacity. "The extension of high gravity brewing in essence extends capacity in the industry and could potentially raise it to over 70m barrels per annum. This would imply very considerable over-capacity and in its wake lead to further brewery closures or cutbacks."

Brewers therefore have no major production plans and the major brewing projects of the past couple of years are all now in operation. It was against this background that Mr Charles Tidbury, the chairman of the Brewers' Society and chairman of Whitbread, announced last month the industry's investment intentions for the next three years.

These showed a marked shift away from production to distribution and retailing. During the three years 1983-1985 the brewers plan to spend £1.58bn, a real increase of 8 per cent on the total investment of the immediately preceding three years.

About 75 per cent of brewers' investment will go into retailing, compared with 66 per cent in 1980-82 and 46 per cent in 1977-79. The brewers plan to spend £853m on their 49,000 public houses during the next three years.

Some non-brewer pubs are likely to receive capital support of £175m, mainly through loans.

Mr Tidbury called the increased emphasis on retailing a "dramatic switch" and said it underlined the determination of brewers to step up the support they gave to retailers who sold their products. It is likely to mean an increased tax charge for the industry as tax relief for refurbishment and building new pubs is substantially less than allowances for new plant. At the same time, advertising expenditure is up in real terms.

Fifth draft

It is this relationship between the brewers and their 35,000 tenants through the tie that is the subject of much heated controversy within the industry. The tie is the means by which a tenant buys beer and other products through the brewery. Until now the European Community has allowed this form of exclusive dealing to go on despite the fact that in general exclusive trading is against the Treaty of Rome. But EEC regulation 67, passed in 1967, has allowed industries to develop exclusive dealings with retailers to sell only their products if this can be shown to be of benefit to consumers or the industry as a whole. Petrol pump stations are the other main sector affected besides public houses.

The European Commission has produced five successive drafts of a new directive on the tied house situation and has extended regulation 67/67 until June 30. The latest draft provides for a brewer and a publican to make an exclusive purchasing agreement either for a complete range of drinks for a period of five years or for draught and bottled beer only for a period of 10 years. However, the first alternative would not be available to tenants and the second would be subject to a condition that a brewer was free to obtain "special beers" in bottles or cans from other suppliers.

The brewers are furious. The Brewers' Society said the regulation "will weaken brewer/tenant relationships to the extent that there will be fewer tenanted pubs, bar prices are likely to rise and the variety of drinks offered could contract.

"What is particularly ludicrous about the draft regulation is that it specifically allows a brewer to contract a retailer who is not his tenant and it would also permit brewer A to contract brewer B's tenants but not his own," it said last month.

The public house tenants take a different view and argue the draft will bring about more choice. The City takes a more detached view and regards the whole issue as something of a side issue. The fifth draft in any case vindicates the brewers' arguments about the tie being beneficial to the beer drinker.

Mr Neil Scourse, brewing analyst of Fielding, Newson-Smith believes the problem is one of manageable proportions.

"It is questionable therefore whether this would be a net loss of profits to the industry and it is far from certain that the drop-out rate from existing arrangements would be all that significant. Added to this is the point that, in as much as the brewer regards his tenanted tied estate as representing a package of revenue which will accrue one way or another, any diminution of income from traded goods can always be compensated for by rent adjustments."

However, Mr Scourse points out that the smaller brewer is likely to be more affected, and their tenanted estates would inevitably be open to large spirits companies such as Distillers and Arthur Bell.

Despite the uncertainty over the effect of EEC regulations, the brewing industry has come back markedly into favour in the City, with the Financial Times Actuaries Brewers and Distillers Index outperforming the FTA Allshare index by 30 per cent last year. The consensus is that brewers are protected by their very big property bases, conservatively worth £3bn and that with costs down higher profits are on the way with an upturn in volume.

However, worldwide brewing seems to be taking on the characteristics of a mature market with little growth and a shrinking in the number of brewing companies. In the U.S., the world's largest beer market, for example, Anheuser Busch and Miller control nearly half the total market and recently G. Heillman, the fourth largest U.S. brewing group, took control of Pabst, the fifth largest group.

On the Continent there is a similar trend, with a reduction in the number of brewers. The 10 largest West German brewers control more than a fifth of Germany's total market, Europe's largest, and at the other end of the scale some 1,000 breweries in Bavaria account for just 8 per cent of the market. The French market is dominated by Boussois Souchon Neuvesel (BSN); in Belgium Artois is able effectively to set going prices in the market.

Paradoxically, the exception to this shrinkage is the UK, where political considerations inhibit a merger wave. However, some brewers, including Bass, would be keen to test the Office of Fair Trading in order to obtain some clarification of Government competition policy in relation to the industry.

Lager predominates in shifts of taste

The Market

GARETH GRIFFITHS

BRITAIN'S BEER market has two strong, apparently contradictory characteristics. The first is that it is a conservative market, there are no rapid changes from one type of beer to another. Secondly, it is a market full of new products and heavy advertising and promotion.

The link between the two is that while there is often feverish marketing activity between the different types of beer there is only a slow drift from one type to another, eg from mild and bitter to lager and cider.

According to the Brewers' Society figures for 1981, the latest available, the British beer industry can be divided into the following percentages.

Light mild 2.7 per cent, dark mild, 8.5 per cent, premium bitter and stout 12 per cent, non premium bitter 33 per cent, premium lager 2.1 per cent, non premium draught lager 21.1 per cent, packaged light pale and export 7.3 per cent, packaged lager 9 per cent, brown ale 1.6 per cent, stout 3.2 per cent and strong ales and barley 0.5 per cent.

Compared to 1971 there has been a marked decline in mild, premium bitters, light pale and export and stout compared with sharp gains by lager—up from 9 per cent of the total market to a third today. This rise of lager has been commented upon endlessly within the industry. While the big brewers are still proportionately more dominant in lager—Bass alone has 22 per cent of the national market—the regional and independent brewers are coming increasingly into the market.

Three case studies illustrate the lager market and the brewers' different tactics.

● Watney Mann's deal with Carlton and United Breweries (Australia) in August 1981 to brew Foster's lager under licence in the UK. The aim was for a medium strength lager which did not have a continental image. The first year was to see production of 40,000 bulk barrels building up to 500,000 bulk barrels a year over the next five years.

Watney by a combination of heavy advertising with a witty theme (a spend of £956,000 for the last quarter of 1982, three times the level for Carlsberg) and distribution saw Foster sales take six per cent of the capital's draught beer market in 9 months. More importantly, a large part of those sales were extra—40 per cent incremental. The brand has now gone national.

● Whitbread's promotion of Kaltenberg Diat pils lager. The emphasis here is on novelty, in this case that Kaltenberg is brewed in a castle and the brewery is run by Prince Luitpold von Bayern. "My home, my home brew" proclaims the poster campaign to be reinforced this week by the start of a major £750,000 advertising campaign. Kaltenberg has been on national distribution since October 1979 and Whitbread which owns the company, has worldwide rights to distribution outside Bavaria.

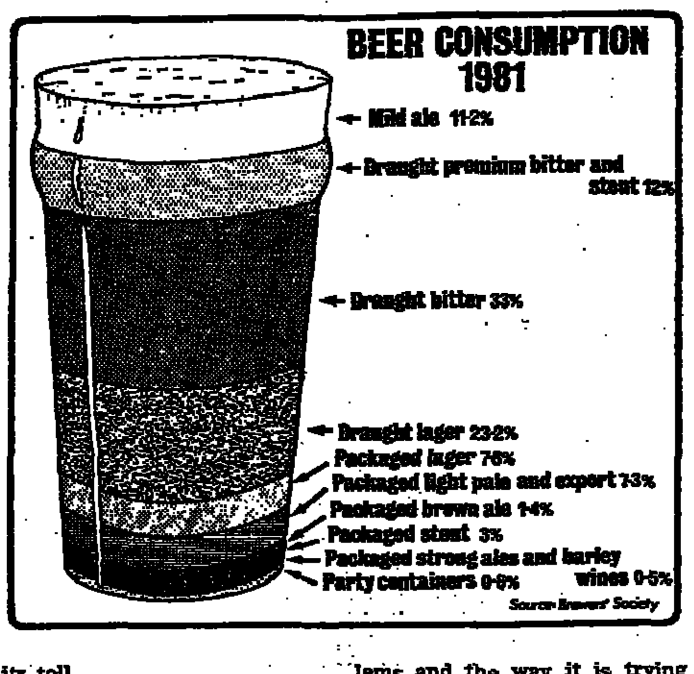
Last year the UK took 35,000 bulk barrels of the 85,000 bulk barrels produced at Kaltenberg and Whitbread says that sales grew 26 per cent in volume terms.

● J. W. Cameron, the Hartlepool based brewery, controlled by Ellerman Lines in an agreement with Dortmunder Actien Braueri (West Germany's third largest brewer) produces Hansa lager under licence. Production is now between 80,000 and 90,000 bulk barrels a year and since it came on to the UK market two years ago, it has achieved national distribtuion with 40 per cent of its sales in cans.

This leads to the vexed question of how profitable is selling lager in cans. The evidence is difficult to assess because brewers will accuse each other of selling cans (at best) for marginal cost while strongly denying that they do it themselves. Each year there are informal talks about keeping prices firm then one producer breaks ranks and the whole process starts again.

The cider boom of the past year has proved one of the most exciting growth areas in the industry. Cider enjoys a good image with the public—rural, nostalgic and youthful—and with retailers enjoying a considerably higher mark up on it than on other beers (prices are the same or higher than bitters but the duty is considerably lower) it is little wonder that cider shares have motored up among the market winners.

Last year cider sales rose by about 20 per cent to 60m gallons production and more particularly cider sales in public houses went up by 40 per cent. This "cider explosion" has to be kept in perspective however; cider only accounts for about 3 per cent of the total UK beer market. The sector has had fast growth before only to see it evaporate. Cider production went up from 41m gallons to 47.75m gallons in 1976 to fall back the following year to 44.8m gallons. Poorer weather and the imposition of duty took its toll.



So what causes the cider boom? The answer appears to lie in distribution and timing rather than simple advertising. The growth has come from the public houses. Mr John Rudgard, managing director of H. P. Bulmer (the market leader with more than half the market) believes that growth is dependent on availability of cider on draught. There are estimates that some 55 per cent of cider is sold through on-licences and 45 per cent through off trade with the balance changing heavily in favour of the on trade. As only a fifth of public houses carry cider on draught, there is obvious room for expansion and the brewers are expanding their cider facilities very quickly.

According ot Mr Dennis Bailey, of stockbrokers Hitchens Harison, one of the earliest city watchers to identify the cider boom, the catalyst was the Royal Wedding in the summer of 1980. Cider has been seen by its consumers, the young working class, as a good-value-for-money drink.

The young working class male is what Guinness is trying to woo back. Guinness has been very open about its image problems and the way it is trying to tackle them provides the third major development in the UK beer market during the past year.

Guinness has missed out on the country's mainstay drinkers, the young working class males between the ages of 20 and 34. Guinness felt it needed to persuade the 1.7m drinkers under the age of 35 who drank Guinness occasionally to drink more. This widening of the market seemed to the company the only option as 8 per cent of drinkers consumed 35 per cent of its volume.

Research showed that Guinness was regarded as old fashioned. Alarmingly, as people tend to buy drinks in rounds, once a drink was out of favour its decline would be accelerated by round buying.

This presented Guinness with severe problems. Since Mr Ernest Saunders took over last year as managing director there has been a radical change in senior management and loss making companies eliminated. But the figure which must haunt Guinness is the more than halving of stout's share of the national beer market during the 1970s. And for stout read Guinness.

Much in common but objectives differ

The Big Six

GARETH GRIFFITHS

BRITAIN'S seven major brewers have had a mixed year; profits have been rising despite falling beer sales and the stock market has decided it likes the sector after the doubts of previous years.

The six main brewers—Bass, Allied-Lyons, Whitbread, Grand Metropolitan, Scottish and Newcastle and Courage in that order of importance—account for about 75 per cent of the 37.8m bulk barrels sold in Britain last year. They own half the country's 76,000 public houses and in lager they account for more than 80 per cent of volume sold.

Compared to their smaller brethren, the six brewers have a lot in common. They produce a far wider range of products and are much more involved in canned beer for supermarkets and take home outlets.

They invest more in public houses, charge higher prices for their beers and make a lower rate of return on capital invested. (They also tend to revalue more often so comparisons can be misleading.) All six have gone through substantial changes in the past three years and have decentralised their managements.

It is there that the similarities end, however. The big six as well as Guinness all have differing objectives as well as different approaches. Guinness is dealt with separately elsewhere in this survey.

● Bass: this is easily the largest UK brewer, with beer sales of more than 7.5m bulk barrels. The company's activities are predominantly brewing —74 per cent of group turnover compared to 16 per cent leisure. Bass wants to increase the leisure side to 25 per cent by the middle of the decade.

Mr Derek Palmar, the chairman, says the image of Bass "is paramount to me." He runs a group with more than 7,000 public houses and 13 breweries through a decentralised system based on performance indicators monitored by the small Bass central headquarters team: "It is a question of seeing that the right people are in management. We try to review policies once a year in each region and company performances are monitored monthly."

Bass has cut back its workforce steadily but with a low profile. It has been hit hard by its exposure in the more depressed regions such as Scotland, Wales and the West Midlands. But it has a vigorous upgrading programme for its public houses, with £45m allowed this year for pub improvements. Bassburger fast food outlets have been introduced in some of the northern pubs for instance.

● Allied-Lyons. Britain's second largest brewer pushed up its pre-tax margins last year from 7.6 per cent to 8.5 per cent, a reflection of the economies the company has made through its slimdown. This looks set to continue and will be combined with an emphasis on decentralised management, allowing what Sir Derrick Holden-Brown, the chairman, calls bringing the best managers to the fore.

● Whitbread. The company has done rather well in the UK beer market this year and along with Grand Metropolitan and Courage has pushed up its market share. Interestingly enough, Bass regards Whitbread rather than Allied-Lyons as its main rival.

"Our aim is to go for down-the-throat leisure," says Mr Charles Tidbury, Whitbread's chairman and also chairman of the Brewers' Society.

The result has been a string of acquisitions, with more on the way. In the U.S. Whitbread has bought Julius Wile and Sons, Fleischman Distilling and a 49 per cent stake in All Brand Importers from Nabisco as well as the French wine company Calvet.

At home the emphasis is on improving the nearly 7,000 public houses. The company has closed down seven local breweries. The latest casualty was Whitbread Wessex at Portsmouth with the loss of 123 jobs this September. But Whitbread has brought down its unit costs and in an effort to widen the brand portfolio Whitbread Best Bitter will be launched this month backed by a £4.5m advertising campaign.

● Grand Metropolitan. "We are not mesmerised by the mash tun but see ourselves as pub operators," says Mr Allen Sheppard, the group managing director of Grand Metropolitan and in charge of Watney Mann and Truman Brewers, one of the key lieutenants in the Grand Met empire. It is a marketing approach which has pushed up the company's share of the market and it now handles some 5m bulk barrels a year, including about 1m from Carlsberg.

Watney Mann and Truman has some 5,000 tenanted houses and 1,600 pubs in the managed Chef and Brewer chain. Management is quiet, hardworking, unstuffy but cost-cutting.

The workforce has been cut by between 25 per cent and 30 per cent since 1980, with the blue collar employees cut back rather more than the administrative staff.

● Scottish and Newcastle. The only brewer to be based outside London, it has been hurt by its depressed trading base in the North East and Scotland and its relatively small number of tied houses—1,480. While the rest of the majors are working on an assumption that the beer market is now plateauing out, S and N is reconciled to further volume falls. But it has left its profits plateau of the past seven years and the new management system is starting to settle down.

● Courage. The company forms part of Imperial Brewing and Leisure Division. Since the beginning of the year Courage's brewing and distribution sides have been dealt with by different trading companies.

Mr Michael Pickard, the chairman of the division, says the two sides had become less compatible and in an increasingly competitive market retailing required special skills. Courage has been adventurous with its marketing, scooping up advertising awards, and more importantly pushing up its share of the national beer market.

Select group with strong local roots

Regional Seven

GARETH GRIFFITHS

BRITAIN'S SEVEN regional brewers have basked in the approval of their industry peers for several years. Their size has appeared right for efficient management and their stock market capitalisation compared favourably to much better known company names in other sectors.

The seven regional groups in order of size are Greenall Whitley, Vaux, Wolverhampton and Dudley, Greene King, Marston, Tompson and Evershed, Matthew Brown and Boddingtons'. The Northern Clubs Federation brewery is in the same league as the seven regionals but is dealt with later.

Greenall Whitley is easily the largest regional brewery group. It is based in Warrington and has just under three per cent of the UK beer market. Greenall Whitley's decision last year to buy Arrowsmith Group Sunshine Holidays, formerly part of Laker Airways, for £4m, highlighted the group's determination to diversify into leisure. Greenall seems keen to become the leisure group mix favoured by the national brewers. Last year in a spending spree it bought out Ellerman Lines' interests in the Belfry hotel and golf complex at Sutton Coldfield. and is spending £2m on development. It has also bought a small chain of bingo halls from the Playboy Organisation and the Treadway Inn in the U.S. for £2.4m. The group has 1,600 public houses with 450 managed houses in a trading area which is concentrated in the Midlands and North West.

Vaux also has pursued a vigorous diversification policy faced with a home base in depressed Sunderland. Its volume falls last year were in line with the national average fall of 4 per cent. The company has used the cash mountain it gained from the sale of its Lorrimer chain of pubs in Scotland for £21m in 1980 to go into hotels and it has interests in Australia, Belgium and the U.S.

The City has been rather concerned about such diversification although both Vaux and Greenall have expansionist managements concerned with what after all is a mature market with little prospect of organic growth.

Wolverhampton and Dudley has concentrated on its beer. Investors like such purity and the recent take over bid by Wolverhampton for the Birmingham-based Davenports, illustrates the company's strengths and weaknesses.

Wolverhampton and Dudley wanted Davenports because it regards the company's beer portfolio and property base as complementary to its own. W and D is roughly four times the size of Davenports with 700 public houses and production of 575,000 bulk barrels compared to 124 public houses and 160,000 bulk barrels annual production.

The W and D style is summed up in the advertising slogan "unspoiled by progress." Mr Jeremy Kemp, the company's assistant secretary, says the brewery's approach to its public houses is a traditional one, the public bars are virtually unaltered and the aim is for authentic local materials rather than simulated schemes.

The same conservatism applies to the beer. While the rest of the country has switched away from mild, W and D customers have remained loyal. Mild accounts for 70 per cent of sales compared with 11.2 per cent for the brewing industry nationally.

"Our mild is light to drink but not light in colour," Mr Kemp says. Quality control is strict and the price competitive, between 49p and 51p a pint—important in the West Midlands where Bass, Allied-Lyons and W and D have been engaged in a year long price war.

The other main thrust of the company's success comes from its managed estate. Some 400 of the 700 public houses are managed, and in an industry where brewers complain constantly about the difficulty of recruiting good managers, W and D succeeds by a package deal which puts the manager on commission, giving an incentive to boost turnover.

The other four regionals have pursued policies more in line with W and D than Greenall and Vaux. The four all enjoy high reputations for their beers. Greene King, based in Bury St Edmunds, covers East Anglia but is keen to expand in London. The company enjoys a cult following for its cask conditioned ales, particularly the Abbot brands.

Marston also has a similar ranking with beer enthusiasts. Its pedigree bitter is especially well regarded. It has to be because the brewery's distribution area is enormous—the Midlands, the West of England, Cumbria, Hampshire and Leicester. At the moment Marston seems keen on expanding in the West and has been buying public houses in Bristol.

Davenports is in some ways much more innovative. The beer-at-home delivery service which made it well known in the industry was hit badly in the 1960s and 1970s by the boom in off licences so it turned to new innovations in packaging.

"The brewery had the problem of seeing a major market shrink so the emphasis was to expand the market and company elsewhere," said Mr Neville Frost, managing director since the mid-1970s. Last year Davenports became involved in the production of a lager, Jager, and Chequer bitter, for the take home market in two litre polyethlene terephthalate (PET) bottles. It was a highly successful move and certainly more adventurous than anything conceived by the W and D management.

Matthew Brown, which trades in the North West is based in Blackburn and has some 530 houses within a 30 mile radius of the brewery. Free trade accounts for a third of sales and there were rumours that the brewery would step in with its own offer for Davenports. The management strategy is expansionist but cautious.

Boddingtons, or Boddies as it is known in its home city of Manchester, is very much a traditional brewer. Some 90 per cent of the beer is traditional mild and bitter ales and these are sold very competitively in the north. The brewery accounts for more than 600,000 bulk barrels a year.

BREWING IV

The small brewer retains a profitable niche, as explained below

Where family links are strong

THE SMALL brewery sector is very much the redoubt of Britain's hereditary beerage. It is estimated that families control 47 of the independent brewery companies and family influence is considerable in the remaining 16. There are still Popes active in Eldridge Pope, Neames within Shepherd Neame and a Young is chairman of Young and Co.

With the heavy capitalisation of most breweries there is a great deal of hereditary wealth within the industry and potential for Unlisted Securities Market operations.

A general definition of a small brewer is one producing less than 1 per cent of the national market, i.e., under 370,000 bulk barrels. But there are even smaller brewers than those defined in this way as independents. The Small Independent Brewers Association represents about 75 small craft brewers each supplying a small number of outlets.

Interestingly, a 1982 report from the Intermediate Technology Group found that there were few economies of scale in brewing. Beer-making savings in larger plants were offset by higher selling, distributive and administrative costs. The report said "in practice both large and small brewers have different though valid roles to play, one providing cheaper bulk beer and the other distinctive local ones. The concept of minimum efficient scale turns out to have little meaning. What is more useful is the distinction made in German industry between the industries and the 'handwerk' sectors of production."

Local brewers had been very much the rule in the industry until the development of a national beer market in the post-war period. In 1951 there were more than four times the number of brewery companies in 1981, 362 companies compared to 80.

Small brewers did well in the 1970s with sales increasing on average by 6 per cent a year compared with the larger companies' growth rate of 1 per cent a year during the decade. With the 12 per cent decline in beer consumption since 1979 the smaller brewers have proved more successful in defending their volumes than the large nationals.

The independents have done well for three reasons.

● The family nature of the business has helped cut down costs. Family members can play board as well as front line management roles eliminating the need for an additional tier. Decision making can be flexible and quick. *Among the workforce* there is usually a certain loyalty and in many small country towns it is quite common to find brewery workers whose families have worked there for four generations. Wages are usually lower than in larger companies.

● Most independent companies mainly concentrate on supplying outlets within a 30 mile radius although this could be changing. Companies such as J. A. Devenish in the West Country are highly exposed to the vagaries of the tourist trade for most of their profits. Devenish like several other small brewers has tried to relieve the pressure by pushing into London. But severe competition in the capital could prove a major problem for small brewers.

● The smaller companies do not have the expense of developing new products. They are able to pick and choose whether to produce their own lager for example or to buy in. J. W. Cameron, the Hartlepool brewer, for instance wants a deal with other independent brewers to sell its lager. Hansa; S. A. Brain and Shepherd Neame are in a deal with Hurlimann of Switzerland for a premium lager.

Two case studies illustrate some of the problems and potential strategies facing small brewers in the 1980s.

● G. Ruddle, the Rutland real ale brewer, joined the Unlisted Securities Market last May in order to raise money for expansion and also to give family shareholders a chance to diversify their holdings. The company, since getting rid of all its tied estate in 1977 except for one public house, had pursued a policy of controlled growth and with an emphasis on being a specialist in the quality end of a minority market. There had also been a rationalisation of production and packaging.

Ruddle supplied 75 per cent of its 60,000 bulk barrels per year to the take home trade including such groups as Safeway, John Sainsbury and Waitrose who purchase Ruddle's under private label. Sainsbury's alone takes a fifth of Ruddle's output.

Such a dependence on the major chains worried Mr Tony Ruddle, the 46-year-old company chairman. He did not want to see all the company's eggs in one basket. He is also an enthusiast about the need for more choice. "The national brewers have brought back a few different beers but they have not brought back choice," he argues.

This time last year Mr Ruddle was propounding his ideas at a lunch given by Mr Allen Sheppard, Grand Metropolitan's group managing director in charge of Watney Mann and Truman Brewers. The lunch was routine, one of several given by London-based brewers to their out of town counterparts before a meeting of the Brewers' Society. Mr Sheppard, a management generalist but with a keen marketing brain, listened.

Watney Mann was eager to expand its portfolio and a further meeting was arranged. In October Ruddle started to supply Watney's London trading company, Watney Combe Reid, with its strong 10° 50° County Draught in 75 tenanted public houses and 75 Chef and Brewer managed houses.

Independents

GARETH GRIFFITHS

The six month contract was renewed at the end of last month and Ruddle hopes to be in about 500 public houses in the capital. Mr Ruddle says he does not want Watney Combe Reid to become dominant in the brewery but there is talk of further deals with other Grand Metropolitan trading companies. Grand Metropolitan has already done a similar deal with George Gale, the Hampshire brewers.

Ruddle has supplied on average 150 bulk barrels a week to Watney Combe Reid. The price is at a premium, around 90p a pint. It provides Ruddle with a major distribution system in the capital without any capital spending and Watney can use up some of its slack in its transport fleet collecting the beer in bulk from Rutland.

Ruddle in any case wants to double its capacity to 120,000 bulk barrels during this decade. Changes in the tied house system could lead to smaller brewers becoming more involved in marketing links with the major brewers on a much wider scale.

● A more conventional story of how a small brewery pulled out of the doldrums is provided by Tollemache and Cobbold brewery in Ipswich which was acquired by Ellerman Lines in 1977. At that time Tolly as it is called locally was a rather sleepy company. But it concentrated on improving its product portfolio and its tied estate. The brewery, which has some 300 tenanted and 50 managed public houses, faces strong competition from Adnams, Greene King, the Norwich Brewery, Ind Coope and Charrington.

Mr Graeme Falconer, formerly the managing director (now md of Watney Mann's national brands), the main architect of the recovery, saw his job as one-third defensive and two-thirds offensive. "We are selling products with a heritage and a package of products, price and service," he said.

Tolly introduced a new distribution system with infilling and closed down a few of its rural pubs. The average Tolly pub does about 220 bulk barrels a year. Some £5m has been spent since 1977 on improving the tied estate and economic rents introduced for the public houses. The workforce shrunk from 580 to under 400 in three years and a new keg bitter was introduced in February to pep up the product range although it lacks a premium lager.

The results are impressive with the brewery working at around 85 per cent of its capacity. Tolly Cobbold produces on average 110,000 bulk barrels a year.

The Intermediate Technology group study defined small craft brewers as producing less than 10,000 barrels a year. It found that most small brewers sell their beers through free houses and on average a small brewer supplies about 20 to 80 free house outlets. Success seems to be determined by keeping control over distribution and in areas like the South-West some small brewers have to travel more than 100 miles on their delivery runs to the obvious detriment of margins.

Southern England in particular has seen a considerable increase in the number of very small craft breweries over the past couple of years. These very small brewers each supply at most a handful of public houses.

The Small Independent Brewers' Association represents about 75 small producers with each producer ranging between 15 bulk barrels and 60 bulk barrels a week.

Probably the best known of the small brewers is Mr David Bruce, the founder of the Fox and Firkin chain, who has set up a company called Bruwel. This provides a service for people wanting to set up their own small brewery and the total period involved from ordering is usually six weeks including a month on the job training. Prices range from £10,000 upwards, for the Bruwel package.

Pint Sized Production: Small Firms in the Brewing Industry. A. E. Bollard. Intermediate Technology Development Group, 9, King Street, Covent Garden, London WC2.

Lively contest between old rivals

WHEN U.S. brewers began using cans in the 1930s a leading British can maker confessed that he could not see the British public "cottoning on to the idea," and believed the glass bottle would remain supreme.

Fortunately for his shareholders his company decided to follow the U.S. vogue—today 84 per cent of all off-licence beer sales in the UK are in cans and canned beer sales continue to rise despite recent falls in beer consumption.

The success of the beer can, now taken for granted, illustrates the dynamic nature of packaging, as alternative materials continually battle for the same market sectors or help to create new ones.

Today the packaging industry is in greater turmoil than ever. On the one hand the recession has undermined its customers. On the other there is an unprecedented profusion of new packs fighting for shrinking markets.

The wide range of materials is matched by the complex mixture of commercial and social factors affecting their use.

The success of PET partly reflects the preferences of the large retail chains. A Sainsbury executive recently prepared a paper for the Food Manufacturers Federation in which he said "we hate glass." In deference to the glass makers who were present, he reworded his remarks, saying "we're not wildly enthusiastic about glass."

Another influence is that of the environmentalist lobby, which condemns one-trip packaging as wasteful and lobbies for the restoration of the returnable bottle system.

Despite its persistent failures in Britain to secure restrictive or punitive legislation, the environmentalist lobby is taken very seriously by the packaging suppliers. This is evident from the efforts they devote to recycling and the activities of the counter-lobby, the Industry Committee for Packaging and the Environment (INCPEN).

This committee carefully follows developments in other countries such as Denmark, which has banned the beer can.

But despite these trends the rivalry of metal and glass still dominates the beer packaging scene.

To consolidate their hold on the market, the can-makers have switched from three-piece to two-piece cans, which are cheaper and faster to make, contain less metal, have only one seam and are more pleasant to hold. They have improved the methods of decorating cans, both in terms of appearance and "feel."

The industry has also been flexible over its customers' demands for new sizes. From the UK can makers' point of view one of the most heartening developments has been the popularity of the 16 oz can, which last year represented 68 per cent of all take-home sales.

Considering the glass manufacturers' historic decline, their struggle to retain market share is even more impressive than that of the can makers.

In recent years, their main reply to the can has been the wide-mouthed beer bottle, which is pleasant to drink from as well as to hold.

This year, they have come up with a new range of plastic-sleeved bottles. Both Rockware Glass and Redfearn National have installed equipment to wrap their bottles in PVC sleeves, developed in Japan.

These sleeves enhance the bottle's appearance, its strength and its lightness and should be as successful for Rockware and Redfearn as the polystyrene Plastishield label was for United Glass in the soft drinks sector.

Glass makers, too, have taken a wide range of steps to reduce costs. Most of the large manufacturers are installing large 10-section blowing machines to uprate their plants' capacity.

Metal v. Glass

MAURICE SAMUELSON

The glass makers are also adjusting their marketing. Having lost so much of their business to the beer can they are increasingly stressing the superiority of glass in terms of aesthetic properties and chemical inertness and its suitability for bottling premium beers.

Like the rest of the packaging industry, though, they realise that their future largely depends on long term economic developments, especially in the U.S.

There, the beer industry last year used more than a third of the 140bn beverage cans and bottles supplied by packaging manufacturers. Two-thirds of the beer containers were metal cans and the rest glass.

Beer also represents the largest glass container market in the U.S., accounting for 36 per cent of the total number of units supplied in 1982. One-trip glass bottles represented 97 per cent of the total, and 78 per cent were in the 12 oz size.

In the longer term, although glass containers face significant competition in the U.S., the next five years are expected to see growth, sometimes at the expense of beer and beverage cans. But it is too soon to say whether this means the tide which has been running in favour of cans for 50 years is at last beginning to turn back towards glass.

Taking stock at the Torrington Arms

THE Torrington Arms in the North London suburb of Barnet is a friendly place. Local office workers pop in for drinks and bar snacks at lunch and in the evening the customers are drawn from the neighbourhood.

It is a relatively modern pub; the present building was put up in 1961 and has been refurbished several times. It now has a large bar and a restaurant and belongs to Whitbread. In short it is a typical suburban pub; its only claim to fame is that the jovial landlord, Alan Bartlett, is the brother-in-law of comedian Eric Morecambe.

But what goes on at the Torrington Arms is an indicator of the state of Britain's 76,000 public houses. Are they facing a deep seated crisis as the authors of the most recent tome on the public house, "The English Public House in Transition" by Gwylmor Prys Williams and George Thompson Brake, suggests? Or have they managed to check the drift to the clubs that the brewers suggest is now happening?

Alan Bartlett is in no doubt that the public house has been at the sharp end of the decline in beer consumption—down 12 per cent nationally since 1979 and pubs have fared worse than the take-home trade. "You have got to be packed to make money," he says.

The Torrington Arms has a large bar and restaurant. The choice of drinks is wide—some 28 different optics and bottles on display in the bar, four bitters, two lagers and a mild. "When I started in 1954 there was whisky, gin, a bitter and a mild," Mr Bartlett says. *Most of the drinks are tied—purchases through Whitbread*—but where a drink is unavailable from the brewery Mr Bartlett buys it himself.

The Torrington Arms is busiest at the weekend and most of its customers are men. This is in line with the national picture; Britain's pubs tend to be busiest over the weekend and three-quarters of the customers are men.

Britain's pubs are part of the country's heritage. In Elizabethan England there were 25,000 ale-houses, and the brewers' links with the pub dates from the end of the last century.

Now there are 76,000 pubs in Britain. Some 35,000 are tenanted pubs, 14,000 are managed and owned by the brewers, and 27,000 are independently owned. There are, in comparison, [illegible] clubs, 42,000 off licences and [illegible] other licensed premises such as restaurants.

This month the Brewers' Society launched a £1m campaign aimed at enticing customers back into the pub and emphasising its sociability. The country's pubs have 30m customers compared with 22.5m members of clubs which can sell alcohol. Next to watching TV, pubs are the most popular of all leisure activities.

The pubs are also the mainstay of the brewers' business. Two-thirds of the beer sold in the UK is through pubs and it is the value of their tied estates that props up the brewers' enormous capitalisations. "Our pubs are our biggest asset," says Mr Charles Tidbury, chairman of the Brewers' Society and chairman of Whitbread.

Pubs and Clubs

GARETH GRIFFITHS

To back this up the brewers' investment programmes have become heavily biased in favour of their public houses. They are expected to invest £853m in their public houses during the three years 1983 to 1985. This is the largest share of the total investment of £1,580m. Three-quarters of investment in the industry now goes into retailing compared with some 46 per cent in the late 1970s.

The Torrington Arms has had renovation work done but Alan Bartlett has complaints about how Whitbread left some work unfinished. Like most tenants he splits the cost of the refurbishment with them. But he is in no doubt that the brewers are increasingly aware of their valuable property portfolios.

"Whitbread London is run by its property department. They are interested only in the rents they receive on their property and it is a secondary consideration what is going through. When I started the rent was peanuts and it would often remain the same for the rest of your tenancy."

However, that has changed. While his turnover in cash terms has doubled since 1972, the rent of the Torrington has gone up seven-fold. Brewers have abolished wet rents which were related to alcohol sold and now opt for straightforward rents. There are warnings that if the tie is altered significantly these rents will have to rise considerably.

The value of the brewers' tied estate is conservatively estimated at around £3bn. Mr Colin Mitchell, the brewing analyst of stockbrokers Buckmaster and Moore, in one of his research papers, argues that this is a considerable understatement. In 1981 he found that the difference between what the brewers' properties were valued at in their books and the higher price they fetched when sold averaged 54 per cent. The brewers' property revaluations "sizeably understate the true asset worth as all too often the alternative use value will be very materially higher than the existing use method," he argued.

A new public house can cost more than £500,000 to build and furnish, but because brewers are able to charge higher prices in better class pubs these exercises are seen as paying for themselves on average in three to five years.

Pub trade seems to have held up rather better than the club according to the somewhat tentative evidence available. Clubs have been hit by the fact their strength is in the more depressed regions and also by the fact they are not attracting the young. Brewers in the North East report that drinking there has become more of a special night out affair rather than a regular seven night a week event. In such cases drinkers appear not to mind the extra cost of trading up from the cheaper prices in the clubs.

One estimate is that 300 clubs have closed during the past year and about 5 per cent of them are facing financial difficulties. Certainly the large entertainment clubs have collapsed faced with the problem of paying for "star" names on dwindling beer revenues.

One victim of this reversal in the clubs' fortunes has been the Northern Clubs' Federation Brewery at Newcastle upon Tyne. The Fed is classified as a regional with output in 1981 of some [illegible] bulk barrels.

The Fed wanted to expand from its regional base and establish a more national distribution system. It already had several outlets in the South such as the House of Commons. Brewers were privately worried, but the Fed's attack never materialised. Instead, last year the brewery reduced its workforce by 20 per cent.

The brewers, in co-operation with Metal Box, Britain's leading packager, have a world lead in a new container material

Breakthrough in plastic beer bottles

A selection of beers and lagers bottled in PET.

THE TRADITIONALLY conservative image of Britain's brewers has been broken by the way they have stolen a world lead in use of PET bottles.

Although first introduced in the U.S. for soft drinks, this bright, robust material — *polyethylene terephthalate — is now* being widely used *for* British beer thanks largely to co-operation between the brewers and Metal Box, Britain's biggest packaging company, which developed the world's first such *beer bottles.*

Launched less than two years ago for beer, PET is expected to hold 5 per cent of the take-home trade by October, having already overtaken, in terms of litreage, the metal party can.

Most major British brewers have turned to PET, which is now used for about 25 brands of beer. The packaging industry expects to sell about 200m bottles this year in the UK and Metal Box is already dealing with inquiries from overseas. Its only competition comes from Fibrenyle, part of BAT Industries' *subsidiary, Mardon* Packaging International.

In adapting PET for beer, the packaging and brewing industries were responding to the factors which had already made this material a major force in *the carbonated soft drinks* bottling industry. In little more than four years in Britain, PET soft drinks bottles have overtaken one-trip glass containers in terms of the volume packaged and moved into the second *place after cans.* It has also been snapped up by the cider industry, which is heavily reliant on glass.

Its advantages are its lightness, strength and safe handling properties, both of which are highly rated by supermarkets.

But in the form used for carbonated soft drinks, it also had *drawbacks which first had to be* overcome before it could be *suitable* for beer.

For soft drinks, a plain PET bottle of sufficient density was sufficient to retain carbonation. In the case of beer, however, the bottle also had to prevent oxygen from seeping in.

This can be done by making the bottles thicker than for soft drinks, but with PET polymer costing about £850 a tonne, this would have made the bottles prohibitively expensive.

PET Preference

MAURICE SAMUELSON

The alternative solution was to coat PET with an oxygen-proof barrier *which would not* affect the quality of the beer.

The coating used by Metal Box is a polyvinylidene chloride latex (PVdC), developed by the fibres division of Imperial Chemical Industries, Britain's sole manufacturer of PET granules and one of the leading international suppliers.

The coating is applied by Metal Box at its plastic bottle factory at Wrexham, North Wales.

In order to guard a valuable commercial advantage, as well as its continuing efforts to improve *its* processes, *Metal Box* keeps a veil of secrecy over the section of the Wrexham plant where coating is carried out.

But although development is still continuing brewers are already satisfied with the shelf life of at least five months.

The major technical problem facing the brewers themselves was that, unlike cans and glass *bottles, PET is not suitable for* pasteurising the beer inside the pack. The beer thus has to be "flash" pasteurised before filling, then filled through sterile bottling lines.

When the Fine Fare supermarket chain asked Watney Mann for beer in PET, Watney Mann was eager to help but pointed out that, like most UK breweries, it did not have a flash pasteuriser and that it used the slower tunnel process which is unsuitable for PET.

Watney turned therefore to the independent Davenports *Brewery, of Birmingham,* one of only four or five UK breweries with flash pasteurising lines. Davenports had installed the first of its three flash pasteurisers in 1959 because it was cheaper and more compact than a tunnel pasteuriser.

It thus became the third partner in the process which led to the commercial success of beer in PET. Through its Wilson Brewery, Watney Mann, brewed the beer and sent it by tanker to Davenports, which flash pasteurised it and packed it in Metal Box bottles and with *closing machines also* supplied by Metal Box.

The first bottles appeared in a limited number of Fine Fare stores in North East England at Christmas, 1981, and since then PET's advance into the beer market has proved unstoppable, with almost every week bringing news of new labels in 1½ or 2 litre bottles.

Watney Mann, impressed with Fine Fare's success, began selling two litre PET packs of its *Wilsons Great Northern Bitter* and Top Brass Lager last Christmas. It has subsequently introduced PET for nationwide sales of some if its "flagship" Watney brands.

Other breweries using PET include Whitbread, Scottish Newcastle, Allied Lyons, Ind Coope, Theakston's, Vaux and Cameron's. Davenports, too, has *since ceased to be simply a* contract filler, and now bottles its own Jäger Lager in PET.

The list of sites where beer is filled has also lengthened. Some of these brewers, such as Whitbread, are having their beer *contract filled* by Davenports. But separate filling operations have also been installed by Vaux, Allied Lyons and RHM (which fills for Theakston's and Cameron's). In addition to cider, Bulmer is *filling beer for Watney.*

Unlike beer, cider does not require a coated PET bottle, and the first alcoholic drink packed in PET was Bulmer's Cider, using Metal Box bottles —made from ICI's "Melinar" *polymer.*

Just as cider and beer followed soft drinks into PET, so they in turn may be followed —though far more cautiously— by spirits. MacKinlay's Old Scotch whisky recently became the first—and *so far* only—scotch to go into PET.

It is being supplied in miniatures for in-flight consumption on airlines, for whom the major attraction is its lightness. (The bottles are made by United *Glass which, like Metal Box* and other packaging companies, recognises PET's threat to other traditional containers and is involved in it as a defensive operation).

For beer and other beverages, PET is likely to be used mostly for the large 1- to 2-litre containers and to make little early impact in the volume market for smaller bottles. For soft drinks, this is because the smaller the bottle the greater the loss of carbonation. For beer, it mainly reflects the price premium of PET compared with the smaller cans and *glass* bottles.

The battle for the retail market has put capital investment at low priority

Recession limits plant outlays

OVER THE last few years, the recession-hit UK brewing industry has, understandably, become preoccupied with ways of improving beer consumption, rather than *production. Such a* climate is not the most conducive to new brewery equipment developments.

Brewers, however, continue to show an interest in technology which promises to reduce production *costs and improve efficiency.* Thus there has been a certain amount of activity in energy conservation and the application of microelectronics to brewery operations. But cash constraints and the switch to retail *investment* has meant that the level of activity in this field is not as high as might have been expected in former times of buoyant beer sales.

As the 1980 NEDC report on brewery microelectronics pointed out, *the new technology is* best designed into new projects, as conversion of existing facilities can be costly and difficult. Since then there has been a dearth of new brewery projects, although whenever any have taken place, *microelectronic* control has been the rule rather than the exception. This is particularly true in areas such as in-place cleaning and packaging.

Nonetheless, doubts exist about *the positive benefits that* the microchip can bring to some parts of the brewing process. For example conventional semi-automatic control already allows a brewhouse to operate with low manning *levels. And while the micro*computers themselves may be reliable, there is felt to be a lack of reliable in-line sensor equipment with which to measure certain parameters.

Scottish and Newcastle *Breweries, though,* has little doubt about the benefits of microelectronics in brewing. The Edinburgh-based concern claims to have over 100 microprocessor-controlled brewery operations at its various plants. The newest of these, the bulk packaging complex at Tyne Brewery in Newcastle, has microprocessor control *of* product routing, vessel filling/emptying, filtration, in-place cleaning, and container handling and filling. The control schemes were all designed by Canongate Technology, a new *company set up by Scottish* and Newcastle to market its electronic and engineering expertise to the outside world. One of its first successes has been a device to monitor and control carbon dioxide levels in liquids.

A good example of recent British know-how on computer control applied to brewing on a grand scale is the fully-automated brewhouse of Heileman Brewing at La Crosse, Wisconsin in the USA. In fact, this plant which came on stream last year, is also a good example of British brewery engineering, for it is one of the largest and most up-to-date brewhouses in the world today.

Equipment

BRUCE STEVENS
Editor, Brewing and Distilling International

The 10m U.S. barrels/year facility was designed and built by Robert Morton DG of Burton on Trent, and the software for the computer control programme was written by Taylor Instruments of Stevenage, in *collaboration with Morton.* The whole brewing process, from raw materials intake through to transfer of product to fermentation, is controlled by a central computer, backed up by a second identical computer. It *automatically* monitors and controls 34 production sequences and 20 in-place cleaning steps.

Interestingly Morton has also become involved at the other end of the brewing scale—mini-breweries. Small-scale brewing, often in pubs, has been the one growth area in brewery equipment, and there have been *a number of developments* in the field, including a microprocessor specially designed for mini-brewing. One specialist in the field, Bruwel, has even managed to sell a tiny lager brewery to a German concern in Bavaria (in *brewing terms, this is* rather like selling snow to the Eskimos).

Microprocessors lend themselves well to beer packaging operations, in providing conveyor and machine speed synchronisation to maximise filling capacity. Also, they are useful diagnostic tools in determining *inefficiencies in bottling and* canning.

There are a number of examples of their use in beer packaging, most recently in the 42,000 bottle/hour bottling line installed last year by H. Erben *at Courage's Berkshire brewery* and in the large key washing and filling plant supplied by Burnett and Rolfe to Bass Alton Brewery in Hampshire.

Possibly the activity in which brewers, big and small, have used computer technology to greatest effect is in warehouse and retail outlet stock control and order processing. A recent extension of this idea is the monitoring of draught beer container movements out in the pub and club trade.

This has been the subject of a joint study by the Brewers' *Society, NEDC* and Courage Eastern. The aim is not only to provide a more efficient use of draught beer containers. It is also a means of reducing the enormous losses—estimated at over £15m a year—incurred by brewers *through the theft of* aluminium casks and kegs when they are out in the trade.

A regional brewer, Home Brewery of Nottingham, has already developed such a scheme independently and this is now operating on casks and other containers. It uses a bar code fixed to the beer container, which uniquely identifies the cask. Microprocessor-based scanning devices (including hand-held versions carried by draymen when they deliver to retail outlets) keep a record of exactly where a container is located. They interface with a central minicomputer in the warehouse so that an overview of cask distribution can be made daily.

In the late 1970s the brewing industry set itself a target of reducing its total enervy consumption by 20 per cent over a four year period which ended last year. Latest reports suggest that the industry *fell short* of this target, although it has still achieved a commendable reduction of around 15 per cent.

The shortfall was caused in part by the decline in beer output, which has adversely *affected individual plant's* energy efficiency. It is also due to investment constraints producing less energy-cutting schemes than originally hoped for.

This is in spite of Govern*ment cash incentives via ETSU* (the Energy Technology Support Unit). So far only one "demonstration project" has been set up—waste heat recovery in keg racking at Scottish and Newcastle in Edinburgh. This compares with six projects each in the distilling and malting industries (two of the latter projects involve the innovative use of heat pumps, which is the subject of an ETSU symposium next month).

Dr Leslie Malkin of ETSU reports that there have been 17 replications, so far, of the one completed brewery project, with another nine in the pipeline. The Scottish and Newcastle scheme supplies 46 per cent of total heat requirement for keg washing and racking from the plant's own waste heat saving £15,000-£20,000 a year.

Dr Malkin also reports that more brewery demonstration projects are on the way. They include a scheme for recovering heat (in the form of hot water) from brewing copper vapours. The system, incorporating in*sulated water storage, links up* with the boilerhouse and is being installed, later this year, by Ind Coope Alloa Brewery in Scotland. Payback is estimated at just 10 months.

Another brewer is currently *carrying out* feasibility studies with ETSU which may eventually result in a demonstration project. They are looking, generally, into ways of making better use of the heat lost up chimneys, through effluent dis*charges* and from cooling towers.

One of the largest consumers of energy in the brewery is wort *boiling,* and ways of reducing this are receiving interest from a number of quarters. They *revolve around increasing* temperature and pressure to reduce boil times. One problem is that the quality of the resulting beer can change, and this is a subject being investigated by the Brewing Research Foundation in Nutfield.

A high-temperature wort boiling system which claims to overcome this problem, and provide the energy-saving advantages, has been developed by a German brewery engineering *company, Anton Steinecker.* A production-scale version of its system has recently been installed at Greenall Whitley's Warrington Brewery. This is producing both bitter and mild ale worts and is claimed to provide a 60 per cent saving in steam consumption.

FT COMMERCIAL LAW REPORTS

Bank's notice of trust precludes set-off

NESTE OY v
LLOYDS BANK LTD
Queen's Bench Division (Commercial Court): Mr Justice Bingham: March 21 1983

WHERE A principal pays money into his agent's bank account on a creditor/debtor basis, no trust arises to prevent the bank setting it off against debts owed to it by the agent; but where the agent cannot in conscience retain the money, he holds it as constructive trustee for the principal, and if the bank had notice of the trust at time of payment in, it has no right of set-off.

Mr Justice Bingham so held when giving judgment for the defendant, Lloyds Bank Ltd, in respect of five transactions, and for the plaintiff shipowners, Neste Oy of Finland, in respect of one transaction, in an action by which the shipowners claimed that the bank had no right to set off six payments made by them into their agent's account against the agent's debt to the bank.

* * *

HIS LORDSHIP said that the shipowners employed Peckston Shipping Ltd (PSL) as their agent in the UK. When their vessels put into UK ports they transferred funds to PSL to discharge liabilities and to make cash advances. They also paid PSL an agency fee.

PSL was part of the Peckston Group. Companies in the group held accounts with the Middlesbrough branch of Lloyds Bank. At the relevant time PSL had six accounts at the branch.

Six transactions gave rise to the shipowners' claim in the present action.

In the first transaction the shipowners appointed PSL as their agent in respect of the Tiiskeri, arriving to load a cargo of crude oil in the Tees.

PSL requested that they be placed in funds totalling £24,100. On January 14 1980 the shipowners' Helsinki bank telexed PSL to say that it was remitting £24,100 through Lloyds Bank London to PSL's main account in Middlesbrough "advance on harbour dues cash to master."

It also telexed Lloyds Bank in London instructing it to transfer the money from its account there to PSL's main account "advance on harbour dues cash to master." PSL's main account was credited forthwith.

The same procedure was followed in four other transactions. The payment in one was described as "advance harbour dues," in another as "harbour dues cash to master," and in two others by reference to the name of the vessel.

In the sixth transaction, on February 22, the shipowners' bank instructed the London bank at 12.17 London time, to pay £21,372 to PSL "advance on harbour dues."

On that date, at 11.30 am, the directors of Peckston Group resolved that the group and its companies should cease trading immediately and that a receiver be appointed. The Middlesbrough branch manager heard of the decision at about 12.30.

The bank exercised a right of set-off between those of PSL's accounts which were in credit and those which were in debt. At 5.45 pm on February 22 it delivered to PSL a demand for a calculated net debit of £55,781, being the sum outstanding at close of business that day.

On February 25 the shipowners' bank instructed the London bank to cancel the payment of £21,372 in the sixth transaction. The bank replied that it could not do so and that payment had been credited to PSL's account.

The shipowners contended that £58,872 of the funds held by PSL for onward payments to their UK creditors were not available for set-off because they were held by PSL on trust to be applied in a specified way and no other.

Mr Vallatt for the shipowners, submitted that PSL held the funds on an express trust or, alternatively, as constructive trustee.

Mr Hutchison, for the bank, said that agents funded by their principals did not necessarily hold the funds as trustees. Whether they did so depended on the circumstances.

It seemed safe to infer that PSL was paid sometimes in advance and sometimes in arrears. His Lordship was disinclined to see the intricacies and doctrines connected with trusts introduced into everyday commercial transactions. The following features led him to the conclusion that they did not apply to the first five transactions:

1—The shipowners made their payments to an account of PSL which gave no indication whatever that it was a trust account.

2—There was no evidence that the shipowners expected or intended any of the sums to be kept in any way separate.

3—In seeking those payments PSL gave no indication that the funds should be held on the shipowners' behalf.

4—The use of "advance" in two of the five cases was no more helpful to the shipowners than its absence in the the other three cases was helpful to the bank. When a banker used the term "advance" he was not concerned with chronology and often meant little more than "pay" or "lend."

5—Facts relied on by the shipowners in relation to the second payment showed that PSL was willing to make disbursements even though inadequately funded. That was some slight indication that transactions were conducted on a debtor-creditor basis.

6—There was nothing in the payment or the receipt of the funds to show that they were paid or received on terms that they would be applied to the specified purpose and no other, and if not so applied, would be returned.

For those reasons there was no express trust in respect of the first five payments. If that were correct, the shipowners and PSL were contracting solely on a debtor-creditor basis at a time when PSL was conducting a continuing shipping agency business.

In that situation there were no grounds for imposing on PSL the obligations of a constructive trustee.

The conclusion that there was no express trust in respect of the first five payments applied also to the sixth payment. Mr Vallatt, however, contended that PSL was constructive trustee of the sixth payment, whether or not it was constructive trustee of the earlier payments.

He founded the distinction on the fact that the payment was credited to PSL at a time when the Peckston Group had already decided that its companies should cease trading immediately, at a time when PSL had not paid for the services for which the funds had been remitted, and at a time when, in all the circumstances, there was no chance that PSL could pay for the services in question.

That, submitted Mr Vallatt, was a case falling within the statement of Cardozo J in *Beatty v Guggenheim Exploration Co* 225 NY 380, 386 that "when property has been acquired in such circumstances that the holder of the legal title may not in good conscience retain the beneficial interest, equity converts him into a trustee."

There was a distinction between the first five payments and the sixth. Given PSL's situation, when the last payment was received any reasonable and honest directors of the company (or the actual directors had they known of it), would have arranged for repayment to the shipowners without hesitation or delay.

It would have seemed little short of sharp practice for PSL to take any benefit from the payment and contrary to any ordinary notion of fairness that the general body of creditors should profit from the accident of a payment made when there was bound to be a total failure of consideration.

At the time of receipt of the payment PSL could not in good conscience retain it and accordingly a constructive trust was to be inferred.

The bank was not entitled to take the benefit of the funds unless it had no notice of the trust. When the payment was credited to the main account the bank knew that PSL would trade no more and at that point it was clearly put on inquiry. An inquiry would have elicited the facts giving rise to the constructive trust. By the time the set-off was effected, the bank was even more on notice.

The result was that the bank could not assert its right to set-off in respect of the last payment.

For the shipowners: John Vallatt (Norton Rose Botterell and Roche). For the bank: Michael Hutchison QC and Jeremy Storey (Cameron Markby).

By Rachel Davies
Barrister

THE WEEK IN THE COURTS

Legal language creates a tangle for shipowners and employees

IT HAS been an unhappy consequence of the swings in the electoral pendulum over the past decade that the regulation of industrial relations has become a political football. But even if political attitudes to trade union power have led inevitably to repeated legislative intervention in the rights and duties of management and labour, there is no excuse for the conspicuous lack of clarity in the language used by parliament in expressing the desired policy.

The latest skirmish in the war waged by the International Transport Workers' Federation against the use of ships under flags of convenience to and from ports of Western Europe has provided another occasion for the judges to complain of lack of clarity.

In *Merkur Island Shipping v Laughton and others*, Lord Diplock, speaking for all the Law Lords last week, felt constrained to utter strong words at the legislature. The various acts that have dealt with industrial relations in recent years have sought to lay down what can and cannot be done lawfully when there is an industrial dispute, irrespective of whether industrial action is taken by union officials, who have available expert legal advice, or by shop stewards in emergencies and under pressure from workers where legal advice is not ready to hand. Dislike for the most recent legislation on the part of labour does not mean that trade unionists do not wish to obey the law, unless and until the law is changed by the appropriate procedures in a democratic society. What both sides of industry are absolutely entitled to expect is that the law under which they are bound to operate should be clear, and that any dispute is easily resolved by the legal process.

Lord Diplock said at the end of his judgment. "The statutory provisions which it became necessary to piece together into a coherent whole are drafted in a manner which, having regard to their subject-matter and the persons who will be called upon to apply them, can only be characterised as most regrettably lacking in the requisite degree of clarity." Such a judicial rebuke to legislators can only supply fodder to those who wish to undermine the rule of law. And to those who wish to preserve the rule of law, legislative obscurity is unfair.

The current dispute, in which the federation blacked a flag-of-convenience ship by preventing it leaving a UK port, took place after the Employment Act 1980 had withdrawn the wide immunity from liability for civil wrongs in respect of secondary action. Merkur Island Shipping owns a Liberian registered ship, of which the majority of the crew is Filipino. On July 15 1982 the ship arrived at Liverpool for loading. The federation, having learnt that the shipowner was paying less than its approved rate of wages, persuaded the tugmen, employed by a tug-owning company, to refuse to move the ship out of the dock. To have succumbed to this persuasion the tugowners would have been in breach of contract to supply tugmen.

The ship had been let by the ship owner to charterers under a time charter, who in turn had sub-chartered. Both the charterparties had provided that the charterers should pay for all port charges, normal pilotages, agencies, commissions and all other usual expenses. But when the ship put into a port, for causes which the ship was responsible, all such charges incurred had to be paid by the shipowner. As a result of the blacking the tugmen, on completion of loading, refused to move the ship, except to a lay-berth.

While the ship was immobilised the shipowner applied to the High Court for an injunction requiring the federation to lift the order to black the ship. The judge held that on the evidence before him the shipowner had established a cause of action—namely, a deliberate interference with the performance of the time charter between the shipowner and the charterers. The question was whether the federation could ultimately establish an immunity from liability under the 1980 Act.

Before the 1980 Act came into force the blacking was probably lawful, and no injunction could properly be granted. Everything turned upon the construction of section 17 of the 1980 Act. To what extent had that section cut down the scope of the immunity conferred in 1974?

Section 17 lays dawn that two conditions must be satisfied in order to bring an act by trade union officials within the ambit of the withdrawal of the immunity. The subsisting contract of which the non-performance of a primary obligation is procured must not be a contract of employment. Any charterparty is not a contract of employment.

The second condition is not nearly so simple; it involves the reader chasing round various sections of the Act. "Secondary action" singles out fo rwithdrawal of immunity that kind of civil wrong in which the means of interference with the performance of a contract is to persuade employees of an employer [who is not a party to a trade dispute] to break their contracts of employment with that employer.

A further provision limits the withdrawal of immunity to that kind of secondary action that is defined by reference to its purpose and the likelihood of achieving that purpose. The description of that purpose incorporates two phrases, "supply of goods" and "services." Those phrases are then defined in another part of the statute.

Analysis of the case revealed that the contract concerned was the charter of the ship. The employer who was a party to the trade dispute was the shipowner. The charter was a contract for the supply of services to which the shipowner and the charterer alone were parties. The shipowner was not a party to any subsisting contract with the tugowners. The tugowners were the employers under the contract of employment to which the secondary action related. Hence there was here secondary action caught by the withdrawal of the immunity: moreover the conditions for limiting that withdrawal were not satisfied.

This tortuous path through the maze led inescapably to the conclusion that the federation failed to show that it had escaped the withdrawal of trade union immunity for liability to the shipowner

If the House of Lords was able to decide conclusively that the trade union was not entitled to have the immunity from legal action, it is highly undesirable that judges should have to wade through the legislative morass in arriving, frustrated and exhausted by the complexities of draftsmanship, at the right answer.

Justinian

AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

[illegible]

INSURANCES

[illegible]

INSURANCE & OVERSEAS MANAGED FUNDS

Barclays Life Assur. Co. Ltd.—contd

Black Horse Life Ass. Co. Ltd.
71, Lombard St., EC3 01-623 1288

British National Life Assurance Co. Ltd.
Harlands Rd, Haywards Heath 0444 414111

Canada Life Group
2-6, High St., Potters Bar, Herts. P. Bar 51122

Robert Fleming & Co Ltd
See Currencies Page Mon-Fri and Stock Exchange Dealings Page Sat

G.T. Management Ltd.

Assicurazioni GENERALI S.p.A.
117, Fenchurch St., EC3M 5DY. 01-488 0733

General Portfolio Life Ins. C. Ltd.
Crossbrook St., Cheshunt, Herts. Waltham X 31971

Growth & Sec. Life Ass. Soc. Ltd.
4a, London Fruit Exchange, E1 6EU 01-377 1122

Guardian Royal Exchange
Royal Exchange, E.C.3 01-283 7107

London A'deen & Nthn. Mtl. Assur. Ltd.
129 Kingsway, London, WC2B 6NF 01-404 0393

London Indemnity & Gnl. Ins. Co. Ltd
18-20, The Forbury, Reading 583511

London Life Linked Assur. Ltd.
100, Temple St., Bristol, BS1 6EA. 0272-279179
See Currencies Page Mon-Fri and Stock Exchange Page Sat.

London & Manchester Gp.
Winslade Park, Exeter EX5 1DS. 0392 52155

Property Growth Assur. Co. Ltd.
Leon House, Croydon CR9 1LU. 01-680 0606

Standard Life Assurance Company
3 George St., Edinburgh EH2 2XZ 031-225 2552

Sun Alliance Insurance Group
Sun Alliance House, Horsham 0403 64141

Barclays Unicorn International
1, Charing Cross, St. Helier, Jersey. 0534 73741

Bishopsgate Commodity Ser. Ltd.
P.O. Box 42, Douglas, I.o.M. 0624-23911

Bridge Management Ltd.
GPO Box 590, Hong Kong

Hambros Fd. Mgrs. (C.I.) Ltd.
P.O. Box 86, Guernsey 0481-26521

Henderson Admin. & Man. (Guernsey)
PO Box 71, St. Peter Port, Guernsey 0481 26541

Henderson Baring Group
1901, Edinburgh Tower, Hongkong.

Quilter/Heinold Commodities
31-45, Gresham Street EC2V 7LH. 01-600 4177

Rea Brothers (IoM) Ltd
29 Athol St, Douglas IoM. 0624 21724

Richmond Life Ass. Ltd.
4 Hill Street, Douglas, I.O.M. 0624 29441

Rothschild Asset Management (C.I.)
St Julian's Ct, St Peter Pt, Guernsey. 0481 27042

OFFSHORE AND OVERSEAS

NOTES

FT LONDON SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Interest Due		Stock	Price £	Last xd	Yield Int.	Red.
18Ja	18Jul	Treasury 9¼pc '83	99 15/16	13.12	9.27	10.09
22May	22N	Exch. 13¼pc '83	101 13/32xd	18.10	13.26	10.13
12Jun	12D	Exch. 10pc 1983	99 7/8	5.11	10.01	10.13
15Jul	15Ja	Funding 5½pc '82-84‡‡	97	9.12	5.67	9.82
20Aug	20F	Exch. 11¼pc 1984	100 7/8	14.1	11.15	10.04
22N	22May	Exchequer 14pc 1984	103 3/4xd	18.10	13.49	10.25
19D	19Jun	Exch. 3pc 1984	94½	12.11	3.17	8.08
26Mar	26S	Treasury 12pc 1984	102¼	17.2	11.74	10.28
22Aug	22F	Treasury 15pc 1985	107	17.1	14.02	10.64
22S	22Mar	Exch. 12pc Cnv. '85	103¾	14.2	11.57	9.76
21N	21My	Treasury 3pc 1985	90 5/8xd	12.4	3.31	8.00
15Jan	15Jul	Treasury 11½pc 1985	101½	9.12	11.33	10.71
3 Sept		Treas 8¾pcCnv '85	97	—	9.02	10.16
22May	22N	Exch. 12¼pc 1985	103xd	18.10	11.89	10.89
25 Aug.	25F	Exch. 11¾pc '86	102 1/8	19.1	11.51	10.83
19N	19May	Treasury 3pc 1986	86 7/8xd	13.10	3.45	7.98
19 Nov	—	Exch. 10½pc Cv '86 (£25pd)	26¼	—	10.50	10.44
12D	12Jun	Treasury 12pc '86	102½	5.11	11.71	11.02
10Ja	10Jul	Treasury 8¼pc '84-86‡‡	95¼	6.12	8.92	10.27
14Ja	14Jn	Treas. 12¼pc '86 Cnv.	110¼	8.12	11.11	8.55
29Apr	29Oct	Exch. 14pc 1986	108 3/8xd	23.3	12.98	10.99
22Jul	22Jan	Exch. 13¼pc 1987	106 3/8	16.12	12.43	11.04
—		Exchequer 2½pc 1987	81 11/16	—	3.06	8.14
Oct 6	Apr 6	Exch. 10½pc 1987	98 5/8	1.3	10.62	10.92
6 Oct	—	Exch. 10½pc 1987A	98½	—	10.66	10.96
1N	1May	Funding 6½pc '85-87‡‡	89½xd	25.2	7.26	9.72
14Ja	14Jul	Treasury 3pc 1987	81 5/8	8.12	3.68	8.24
3 May	3N	Treas 12pc 1987	102 13/16xd	28.3	11.66	11.15
26Jul	26Ja	Treasury 7¾pc '85-88‡‡	90 5/8	20.12	8.58	10.35

Five to Fifteen Years

Interest Due		Stock	Price £	Last xd	Yield Int.	Red.
—		Exch 10½pc '88	96 3/4xd	5.4	10.80	11.25
1Ja	1Jul	Transport 3pc '78-88	80	25.11	3.79	8.01
25Ap.	25Oct.	Treas. 9½pc '88	92 7/8xd	21.3	10.23	11.27
22Aug.	22F	Treasury 11½pc 1989	101½	17.1	11.55	11.59
14Dec.	—	Treas 10½pc '89 (£25pd)	24 5/8	—	10.99	11.53
15Ap	15Oct	Treasury 5pc '86-89	78½	9.3	6.41	9.65
15Jul.	15Ja.	Treasury 13pc 1990‡‡	110	9.12	12.21	11.58
22Sept	22Mar	Exch. 12½pc 1990	105 1/8	14.2	12.02	11.63
15D	15Jun	Treasury 8¼pc '87-90‡‡	90	8.11	9.48	10.98
10Jul	10Ja	Treasury 11¾pc 1991	103 7/8	6.12	11.69	11.64
5Oct.	5Ap.	Funding 5¾pc '87-91‡‡	77 1/8	1.3	7.49	10.05
25Ap.	25Oct.	Exch. 11pc 1991	97 7/8xd	21.3	11.24	11.40
22Jul.	22Ja.	Treasury 12¾pc '92‡‡	110	16.12	11.94	11.49
21Aug.	21Fb.	Treasury 10pc 1992	95 5/8	17.1	10.45	11.09
25Fb.	25Aug.	Exch. 12¼pc '92	106	19.1	11.78	11.53
22Mar.	22S	Exchequer 13½pc '92	111½	14.2	12.25	11.66
14Ja.	14Jul.	Treasury 12½pc '93‡‡	110 1/8	8.12	11.72	11.38
15Mar.	15S	Funding 6pc 1993‡‡	75	7.2	8.07	10.03
23May	23N	Treasury 13¾pc 1993‡‡	113 1/8xd	18.10	12.04	11.41
1S	1 Mar	Treasury 14½pc '94‡‡	121	24.1	12.20	11.41
27O	27Ap	Exchequer 13½pc 1994	112¼xd	21.3	12.02	11.50
22F	22Aug	Exch. 12½pc 1994	109	17.1	11.70	11.40
17May	17N	Treasury 9pc '94‡‡	89 7/8xd	11.4	9.95	10.45

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT. STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH AND AFRICAN LOANS

LOANS

Public Board and Ind.

LOANS—Continued

Financial

Interest Due		Stock	Price £	Last xd	Yield Int.
20J	20D	FFI 14pc '83	101 5/8	31.9	13.78
31M	30N	FFI(UK Fal)6¼pcDb '80-83	95¼	1.11	6.77
11Ja	11J	Do. 10¼pc Uns.Ln. '86	101	29.11	10.74
11Ja	11J	Do. 11pc Uns.Ln. '88	102½	29.11	11.10
11Ja	11J	Do. 11¾pc Uns.Ln. '90	103½	29.11	11.77
14Mr.	14S	Do. 12½pc Un. Ln. 1992	103½	14.3	12.22
30J	31D	Do. 7¼pc A Deb '89-92	77	29.11	9.81
31M	30S	Do. 7¼pcADeb. '91-94	75	31.3	9.85
31M	30S	Do. 9pc 'A' '91-94	84½	31.3	10.78
31A	28F	Do. 8¾pcLn. '92-97	83¼	28.2	10.93

Building Societies

Interest Due		Stock	Price £	Last xd	Yield Int.
19Oct	25Mar	Nat'wide 14¼pc 25.4.83	100¼xd	25.4	—
17 Nv	23 Mar	Do. 13⅞pc 23.5.83	100 1/8	18.10	13.86
7Dec	13June	Do. 13 15/16pc 13.6.83	100 3/8	8.11	13.89
28Dec	4July	Do. 14pc 4.7.83	100½	29.11	13.93
19Jan	25July	Do. 13¼pc 25.7.83	100½	19.1	13.06
9Feb	15Aug	Do. 11⅞pc 15.8.83	100 1/8	9.2	11.86
23Feb	30Aug	Do. 11¼pc 30.8.83	100 1/8	24.1	11.24
27 Mar	3 Oct	Do. 11⅜pc 3.10.83	100 3/8	27.3	11.33
—		Do. 9 15/16pc 31.10.83	99 5/8xd	25.4	9.97
—		Do. 9¾pc 28.11.83	99 5/8xd	—	9.91
—		Do. 11¼pc 19.12.83	100 1/8	—	11.24
—		Do. 11⅞pc 23.1.84	100 1/8	—	11.79
—		Do. 11⅞pc 13.2.84	100 7/8	—	11.77

FOREIGN BONDS & RAILS

AMERICANS

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BANKS, H.P. & LEASING

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ENGINEERING MACHINE TOOLS

FOOD, GROCERIES, ETC.

FOOD, GROCERIES—Cont.

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

[illegible]

HOTELS AND CATERERS

[illegible]

INSURANCE

[illegible]

LEISURE

[illegible]

LEISURE—Continued

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Continued

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SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

INVESTMENT TRUSTS—Cont.

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Continued

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Finance

[illegible]

Diamond and Platinum

[illegible]

MINES—Continued

Central African

[illegible]

Australians

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

NOTES

[illegible] B.Fr. Belgian Francs. Fr. French Francs. [illegible] assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1983-84. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1984. K Figures based on prospectus or other official estimates for 1982-83. M Dividend and yield based on prospectus or other official estimates for 1983. N Dividend and yield based on prospectus or other official estimates for 1982-83. P Figures based on prospectus or other official estimates for 1982. Q Gross. T Figures assumed. Z Dividend total to date.
Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

REGIONAL AND IRISH STOCKS

The following is a selection of regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv. 20p	54	.....
Bdg'wtr. Est. 50p	520	.....
Craig & Rose £1	£12	.....
Finlay Pkg. 5p	34	.....
Graig Ship. £1	£19	+1
Higsons Brew.	109	.....
Holt (Jos) 25p	910	.....
I.O.M. Stm. £1	100	.....
Pearce (C. H.)	£14	.....
Peel Hldgs.	200	.....

IRISH

Exch. 15pc 1983	£100	.....
Nat. 9¾% 84/89	£86⅞	.....
Fnl 13% 97/02	£95⅛	.....
Alliance Gas	103	.....
Arnott	185	.....
Carroll (P.J.)	111	.....
Concrete Prods.	54	.....
Helton (Hldgs.)	16	.....
Irish Ropes	96	.....
Jacob	90	+1
T.M.G.	80	.....
Unidare	75xd	+2

OPTIONS

3-month Call Rates

Industrials	
Allied-Lyons	15
BOC Grp.	20
B.S.R.	12
Babcock	16
Barclays Bank	35
Beecham	35
Blue Circle	44
Boots	22
Bowaters	19
Brit. Aerospace	20
B.A.T.	65
Brown (J.)	5
Burton Ord.	35
Cadburys	11
Courtaulds	8½
Debenhams	12
Distillers	22
Dunlop	6
Eagle Star	35
F.N.F.C.	4½
Gen. Accident	40
Gen. Electric	22
Glaxo	90
Grand Met.	32
G.U.S. 'A'	55
Guardian	42
G.K.N.	15
Hawker Sidd.	34
House of Fraser	17
I.C.I.	35
"Imps"	11
I.C.L.	8½
Ladbroke	20
Legal & Gen.	38
Lex Service	30
Lloyds Bank	45
"Lofs"	3½
London Brick	15
Lucas Inds.	15
"Mams"	12
Mrks. & Spncr.	20
Midland Bank	35
N.E.I.	18
Nat. West. Bank	50
P & O Dfd.	14
Plessey	50
Racal Elect.	45
R.H.M.	6
Rank Org. Ord.	17
Reed Intnl.	28
Sears	9
T.I.	16
Tesco	14
Thorn EMI	50
Trusthouse	20
Turner & Newall	4½
Unilever	80
Utd. Drapery	14
Vickers	12
Woolworth Hld.	27

Property	
Brit. Land	8½
Cap. Counties	15
Land Sec.	30
MEPC	22
Peachey	16
Samuel Props.	18
Town & City	3

Oils	
Brit. Petroleum	32
Burmah Oil	18
Charterhall	5
KCA	8
Premier	4
Shell	45
Tricentrol	19
Ultramar	48

Mines	
Charter Cons.	28
Cons. Gold	50
Lonrho	8½
Rio T. Zinc	55

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CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Intervention becomes a talking point

BY COLIN MILLHAM

Central bank intervention prevented the dollar from continuing to rise last week. This was probably the major talking point during an otherwise fairly quiet period, with Mr Paul Volcker, chairman of the Federal Reserve Board, and Mr Donald Regan, U.S. Treasury Secretary, apparently at some odds about the benefits of attempting greater control over the foreign exchanges. Mr Volcker indicated that the Fed is in favour of some intervention, and it almost certainly entered the market during the week as the agent of the German Bundesbank. On the other hand Mr Regan was quoted as saying that the Administration feels intervention is futile.

None the less, the market became much more aware of the possibility of orchestrated central bank intervention, while an official of the Japanese Finance Ministry said that the major world economies have up to $200bn available to prevent excess movements in exchange rates.

The weakness of the yen and the D-mark have given cause for some concern recently, and but for the fact that Japan's major trading partners in the U.S. and Europe would object strongly to a further depreciation of the yen it is likely the authorities would have bowed to international pressure and cut the Bank of Japan discount rate by now.

Intervention by the Bundesbank prevented the dollar rising above DM 2.46, except for a short time during the Frankfurt fixing on Wednesday, and the threat of further moves to push down the value of the U.S. currency was enough to keep the market quiet towards the end of the week.

Another problem for the German authorities was lower domestic interest rates, caused by excess liquidity following payment of Bundesbank profits to the Government earlier this month. Currency repurchase agreements kept the situation under control, however, and overnight money finished the week at 4.95 per cent, compared with 4.85 per cent on the previous Friday.

Sterling's trade-weighted index rose to 83.2 from 82.9, but the pound lost ¼ cent against the dollar to $1.5455, and although finishing firmer on the week Hopes of stable oil prices continued to underpin sterling, but the currency tended to move to the sidelines as attention switched to the dollar cross rate against the D-mark.

FORWARD RATES AGAINST STERLING

	Spot	1 month	3 month	6 month	12 month
Dollar	1.5465	1.5441	1.5418	1.5397	1.5386
D-Mark	3.7875	3.7700	3.7388	3.6938	3.6254
French Franc	11.3450	11.3650	11.4375	11.5901	11.9988
Swiss Franc	3.1850	3.170	3.140	3.0966	3.0193
Japanese Yen	366.25	365.0	362.8	358.4	354.3

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU April 22	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc ...	44.3662	45.0497	+1.54	+0.55	±1.5430
Danish Krone ...	8.04412	8.02847	−0.22	−1.21	±1.6419
German D-Mark	2.21515	2.25988	+2.21	+1.02	±1.0567
French Franc ...	6.79271	6.77775	−0.22	−1.21	±1.4018
Dutch Guilder	2.49587	2.54328	+1.90	+0.91	±1.4941
Irish Punt	0.71705	0.715180	−0.28	−1.25	±1.6696
Italian Lira	1386.78	1345.89	−2.97	−2.97	±4.1463

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

BANK OF ENGLAND TREASURY BILL TENDER

	April 22	April 15		April 22	April 15
Bills on offer	£100m	£100m	Top accepted rate of discount	9.7467%	9.7868%
Total of applications	£550.30m	£482.57m	Average rate of discount	9.7365%	9.7566%
Total allocated	£100m	£100m	Average yield	9.98%	10.00%
Minimum accepted bid	£97.57	£97.56	Amount on offer at next tender	£100m	£100m
Allotment at minimum level	67%	12%			

OTHER CURRENCIES

Apr. 22	£	$		£ Note Rates
Argentina Peso	112,651-112,891	72,440-72,490	Austria	26.60-26.90
Australia Dollar	1.7780-1.7800	1.1505-1.1515	Belgium	75.65-76.40
Brazil Cruzeiro	681.56-685.56	440.55-443.75	Denmark	13.45-13.58
Finland Markka	8.4000-8.4200	5.4320-5.4540	France	11.30-11.40
Greek Drachma	127.37-131.17	83.70-85.90	Germany	3.77-3.81
Hong Kong Dollar	10.58¼-10.56¼	6.8150-6.8250	Italy	2235-2270
Iran Rial	132.10*	85.10*	Japan	365-370
KuwaitDinar(KD)	0.450-0.452	0.2918-0.2919	Netherlands	4.24¼-4.28¼
Luxembourg Fr.	75.40-75.50	48.81-48.83	Norway	11.00-11.10
Malaysia Dollar	3.5670-3.5720	2.3065-2.3085	Portugal	150-175
New Zealand Dlr.	2.3410-2.3460	1.5150-1.5175	Spain	201¼-217¼
Saudi Arab. Riyal	5.3300-5.3425	3.4500-3.4510	Sweden	11.55-11.66
Singapore Dollar	3.2420-3.2470	2.0965-2.0985	Switzerland	3.17-3.20
Sth.African Rand	1.6850-1.6875	1.0910-1.0920	United States	1.53¾-1.55¾
U.A.E. Dirham	5.6720-5.6865	3.6715-3.6735	Yugoslavia	118-126

* Selling rates.

CURRENCY MOVEMENTS

Apr. 22	Bank of England Index	Morgan Guaranty Change %
Sterling	83.2	−37.6
U.S. dollar	122.4	+11.9
Canadian dollar	91.0	−17.1
Austrian schilling	120.9	+30.7
Belgian franc	94.2	−1.5
Danish kroner	84.0	−10.0
Deutsche mark	130.0	+57.5
Swiss franc	151.0	+106.7
Guilder	118.1	+25.9
French franc	70.5	−32.0
Lira	52.0	−59.3
Yen	146.6	+29.9

Based on trade weighted changes from Washington agreement December 1971. Bank of England Index (base average 1975=100).

CURRENCY RATES

April 22	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.699858	0.596176
U.S. $	8½	1.08368	0.92283
Canadian $	9.46	[illegible]	1.13385
Austria Sch.	3¾	18.6344	15.8915
Belgian F	11	52.8399	45.097
Danish Kr	7	9.40752	8.03647
D mark	4	2.64961	2.25968
Guilder	4½	2.98808	2.54328
French F	9½	7.95878	6.77775
Lira	17	1578.10	1345.59
Yen	5½	256.148	217.960
Norwgn Kr	9	7.73520	6.58265
Spanish Pta	8	147.221	125.517
Swedish Kr	8½	8.10863	6.91337
Swiss Fr	4	2.23775	1.89932
Greek Dr'ch	20½	N/A	77.5955

* C$/SDR rate for April 21: 1.32992.

THE POUND SPOT AND FORWARD

April 22	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.5440-1.5510	1.5450-1.5460	0.17-0.12c pm	1.12	0.40-0.35 pm	0.97
Canada	1.8950-1.9060	1.8960-1.8970	0.20-0.10c pm	0.95	0.45-0.35 pm	0.84
Nethlnd.	4.25½-4.28½	4.25¾-4.26¾	2⅛-1⅝c pm	5.28	5½-5 pm	4.93
Belgium	75.25-75.80	75.40-75.50	5c pm-5 dis	—	2 pm-8 dis	−0.16
Denmark	13.42-13.48	13.43½-13.44½	⅞-2⅛ore dis	−1.45	4⅞-8⅞ dis	−2.04
Ireland	1.1950-1.2040	1.1960-1.1975	0.41-0.55p dis	−4.81	1.30-1.48dis	−4.64
W. Ger.	3.77½-3.80½	3.78¼-3.79¼	2-1½pf pm	5.54	5⅛-4⅝ pm	5.15
Portugal	151.50-159.00	154.50-158.50	350-1505c dis	−71.12	645-2200dis	−36.36
Spain	210.00-211.00	210.10-210.30	170-255c dis	−12.13	475-585dis	−10.18
Italy	2,252-2,263	2,253-2,255	8½-11½lire dis	−5.32	33-37 dis	−6.21
Norway	11.01-11.06	11.03-11.04	2¼-3¼ore dis	−2.99	7⅞-8⅞ dis	−3.03
France	11.33-11.39	11.34-11.35	1½-2½c dis	−2.11	7¼-8¼ dis	−2.91
Sweden	11.56-11.61	11.56½-11.57½	⅛-⅞ore dis	−0.58	1⅛-2⅛ dis	−0.58
Japan	364½-367½	365¼-366¼	1.40-1.20y pm	4.26	3.70-3.50 pm	3.93
Austria	26.55-26.75	26.58-26.63	12¾-10¼gro pm	5.16	35-29¼ pm	4.86
Switz.	3.17½-3.20	3.18-3.19	1⅝-1⅛c pm	5.65	4¾-4⅝ pm	5.65

Belgian rate is for convertible francs. Financial franc 76.05-76.15. Six-month forward dollar 0.61-0.56c pm. 12-month 0.77-0.62c pm.

THE DOLLAR SPOT AND FORWARD

April 22	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.5440-1.5510	1.5450-1.5460	0.17-0.12c pm	1.12	0.40-0.35 pm	0.97
Ireland†	1.2890-1.2930	1.2900-1.2915	0.70-0.60c pm	6.04	1.80-1.68 pm	5.39
Canada	1.2275-1.2310	1.2280-1.2285	par-0.03c dis	−0.15	0.04-0.07dis	−0.18
Nethlnd.	2.7630-2.7630	2.7560-2.7580	0.95-0.85c pm	3.92	2.79-2.69 pm	3.98
Belgium	48.70-48.83	48.81-48.83	4⅛-6c dis	−1.29	12-15 dis	−1.11
Denmark	8.6850-8.7075	8.6975-8.7075	⅛-1⅛ore dis	−1.72	3⅛-4⅛ dis	−1.95
W. Ger.	2.4425-2.4556	2.4480-2.4490	0.90-0.85pf pm	4.29	2.64-2.59 pm	4.27
Portugal	98.00-105.00	100.0-102.0	300-1100c dis	−81.95	500-1650dis	−41.95
Spain	135.75-136.10	135.95-136.05	135-175c dis	−13.67	385-415dis	−11.47
Italy	1,456¾-1,460½	1,458-1,459	8½-9½lire dis	−7.41	26-28 dis	−7.41
Norway	7.1250-7.1450	7.1300-7.1400	2-3ore dis	−4.21	6.80-7.80dis	−4.10
France	7.3300-7.3800	7.3375-7.3425	1.95-2.15c dis	−3.35	7.00-7.40dis	−3.93
Sweden	7.4810-7.4825	7.4850-7.4900	⅛-1⅛ore dis	−1.60	2.70-3.20dis	−1.57
Japan	235.85-237.00	236.75-236.85	0.62-0.57y pm	3.01	1.80-1.72 pm	2.97
Austria	17.18½-17.23½	17.22-17.23	5.90-5.10gro pm	3.83	18.00-15.50pm	3.89
Switz.	2.0540-2.0650	2.0595-2.0605	0.79-0.69c pm	4.31	2.45-2.35 pm	4.66

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

Belgian rate is for convertible francs. Financial franc 49.20-49.30.

EXCHANGE CROSS RATES

Apr. 22	Pound St'rling	U.S. Dollar	Deutschem'k	JapaneseYen	FrenchFranc	Swiss Franc	Dutch Guild	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1	1.546	3.788	366.3	11.345	3.185	4.263	2254.	1.897	75.45
U.S. Dollar	0.647	1.	2.451	237.0	7.341	2.061	2.758	1458.	1.227	48.82
Deutschemark	0.264	0.408	1.	96.70	2.995	0.841	1.125	595.1	0.501	19.92
Japanese Yen 1,000	2.730	4.220	10.34	1000.	30.98	8.695	11.64	6154.	5.178	206.0
French Franc 10	0.881	1.362	3.338	322.8	10.	2.807	3.757	1987.	1.672	66.51
Swiss Franc	0.314	0.485	1.189	115.0	3.562	1.	1.338	707.7	0.595	23.69
Dutch Guilder	0.235	0.363	0.889	85.92	2.662	0.747	1.	528.8	0.445	17.70
Italian Lira 1,000	0.444	0.686	1.680	162.5	5.033	1.413	1.891	1000.	0.841	33.47
Canadian Dollar	0.527	0.815	1.997	193.1	5.982	1.679	2.248	1189.	1.	39.78
Belgian Franc 100	1.325	2.048	5.020	485.4	15.04	4.221	5.649	2987.	2.514	100.

MONEY MARKETS

Apathy descends on London

A mood of apathy has descended on the London money market since the middle of the month when the clearing banks brought base rates back down to 10 per cent.

This move had been expected for some time, but there is little anticipation of any further cut in the foreseeable future, while the refusal of the authorities to put upward pressure on rates during sterling's bout of extreme weakness was also seen as an indication that there is little chance of rates moving higher even if the pound encounters further problems.

Against this background short-term interest rates showed little change, but had a slight tendency to move firmer as the week wore on.

Statistical information was rather confusing, creating a depressing mood in the gilt-edged market as well as the money market. Early in the week stockbroker W. Greenwell said that cuts in base rates were not justified by the present level of monetary growth, and that further reductions were not required to encourage economic activity.

Later in the week the market was also unpleasantly surprised by a rise of £9.2bn in the Public Sector Borrowing Requirement for the last financial year. This was some £2bn above expectations, following disappointing PSBR figures for March the previous week, which were largely taken as a reflection of increased borrowing by local authorities at the end of the financial year. The annual figure tended to dispel this idea, and was worrying enough to prevent better than expected inflation figures encouraging gilt buying or lower interest rates.

A year-on-year figure of 4.9 per cent was expected for March, compared with 5.3 per cent for February, but the figure of 4.6 per cent was very good, increasing speculation about a June General Election.

Early in the week sterling's strength increased hopes of single figure base rates, but caution on this subject tended to increase on following days, and the market finished the week in the doldrums, although a slight lowering of the Treasury bill rate at Friday's tender may be an encouraging sign.

LONDON MONEY RATES

Apr. 22 1983	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount Market Deposits	Treasury Bills ⊕	Eligible Bank Bills ⊕	Fine Trade Bills ⊕
Overnight	—	1-10¾	10¼-10½	—	—	10-10¼	8¼-10¼	—	—	—
2 days notice	—	—	10¼-10½	—	—	—	—	—	—	—
7 days or	—	—	[illegible]	—	—	—	—	—	—	—
7 days notice	—	10¼-10½	10¼-10¼	—	—	10⅛-10¼	10-10¼	—	—	—
One month	10⅛-10¼	[illegible]	10¼	11-10¾	10¼	[illegible]	[illegible]	[illegible]	[illegible]	10⅞
Two months	[illegible]	[illegible]	10⅛	[illegible]	10¼	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Three months	[illegible]	[illegible]	10⅛	[illegible]	10⅝	[illegible]	—	[illegible]	[illegible]	[illegible]
Six months	[illegible]	[illegible]	10⅛	[illegible]	10⅝	—	—	—	—	—
Nine months	[illegible]	[illegible]	—	[illegible]	[illegible]	—	—	—	—	—
One year	[illegible]	[illegible]	10½	[illegible]	[illegible]	—	—	—	—	—
Two years	—	—	10½	—	—	—	—	—	—	—

ECGD Rate Export Finance Scheme IV Average Rate for interest period March 2 to April 5 1983 (inclusive): 10.874 per cent.

Local authorities and finance houses seven days' notice, others seven days fixed. Long-term local authority mortgage rates nominally three years 10⅝ per cent; four years 10⅞ per cent; five years 11 per cent. ⊕Bank bill rates in table are buying rates for prime paper. Buying rate for four month bank bills 9⅝-9¾ per cent; four months trade bills 10⅛ per cent.

Approximate selling rate for one month Treasury bills 9⅞ per cent; two months 9⅝-9¾ per cent; and three months 9⅝-9⅝ per cent. Approximate selling rate for one month bank bills 10-10⅛ per cent; two months 9⅞ per cent and three months 9⅞-9⅞ per cent; trade bills one month 10⅞ per cent; two months 10⅝ per cent and three months 10½ per cent.

Finance Houses Base Rates (published by the Finance Houses Association) 11¼ per cent from April 1 1983. London and Scottish Clearing Bank Rates for lending 10 per cent. London Deposit Rates for sums at seven days' notice 6¼ per cent.

Treasury Bills: Average tender rates of discount 9.7866 per cent. Certificates of Tax Deposits (Series 6). Deposits of £100,000 and over held under one month 10⅞ per cent; one-three months 10⅝ per cent; three-six months 10⅝ per cent; six-12 months 10¾ per cent. Under £100,000 10 per cent from April 8. Deposits held under Series 3-5 10¼ per cent. The rate for all deposits withdrawn for cash 8 per cent.

INTEREST RATES

EURO-CURRENCY INTEREST RATES

(Market closing rates)

Apr. 22	Short term	7 days notice	Month	Three Months	Six Months	One Year
Sterling	10⅛-10⅜	10⅛-10⅜	10⅛-10¼	10⅛-10¼	10⅛-10¼	10⅛-10⅜
U.S. Dollar	8⅝-8⅞	8⅝-9	8⅝-9	9⅛-9⅜	9⅜-9⅝	9⅝-9⅞
Can. Dollar	8⅝-9	8⅝-9	9⅛-9⅜	9⅛-9⅜	9⅜-9⅝	9⅜-9⅝
D. Guilder	4⅝-4⅞	4⅝-4⅞	5-5⅛	5⅛-5¼	5¼-5⅜	5⅜-5½
S. Franc	3⅛-3⅜	3⅜-3⅝	4-4⅛	4⅛-4¼	4⅜-4½	4⅝-4⅞
Deutschm'rk	4⅝-4⅞	4⅞-5	5⅛-5¼	5⅛-5¼	5⅜-5½	5⅝-5¾
French Franc	12⅞-13⅛	12⅞-13⅛	12¼-12⅝	13⅛-13⅝	13⅝-14	14⅛-14⅝
Italian Lira	14⅛-16⅛	16⅛-16⅝	16⅛-16⅝	17⅛-17⅝	17⅛-17⅞	18-19
Belg. Franc Conv.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fin.	10-11	10⅛-11	10⅛-10⅝	10⅛-10⅝	10⅞-11	10⅞-11⅛
Yen	5⅛-5⅜	5⅝-6	6-6⅛	6⅛-6⅜	6⅛-6⅜	6⅜-6⅝
D. Krone	12⅛-12⅞	12⅛-13⅛	11⅛-11⅜	11⅛-11⅜	11⅛-11⅞	11⅛-11⅞
Asia $ (Sing.)	8⅝-9	8⅝-9	9⅛-9⅜	9⅛-9⅜	9⅜-9⅝	9⅝-9⅞

FT LONDON INTERBANK FIXING

11.00 a.m. APRIL 22

3 month U.S. dollars		6 months U.S. dollars	
bid 9 5/16	offer 9 6/16	bid 9 5/8	offer 9 7/16

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK

Prime rate	10½
Fed funds (lunch-time)	8¼-8¾
Treasury bills (13-week)	8.15
Treasury bills (26-week)	8.27

GERMANY

Lombard	5.0
Overnight rate	4.95
One month	5.05
Three months	4.20
Six months	5.25

FRANCE

Intervention rate	12.5
Overnight rate	12.5
One month	12.5
Three months	12.25
Six months	12.1875

JAPAN

Discount rate	5.5
Call (unconditional)	6.09375
Bill discount (3-month)	6.71875

SWITZERLAND

Discount rate	4
Overnight rate	3-4
One month	4¼-4⅜
Three months	4⅜-4½

NETHERLANDS

Discount rate	5½
Overnight rate	4¾-5
One month	5⅛-5¼
Three months	5⅜-5½
Six months	5⅝-5¾

$ CERTIFICATES OF DEPOSIT

One month	8.75-8.85
Three months	8.80-8.90
Six months	8.95-9.05
One year	9.20-9.30

LONG TERM EURO $

Two years	10⅛-10⅜
Three years	10⅜-10⅝
Four years	10⅝-11⅛
Five years	11-11¼

SDR LINKED DEPOSITS

One month	8⅞-9⅛
Three months	8⅞-9⅛
Six months	8¾-9
One year	8⅞-9⅛

ECU LINKED DEPOSITS

One month	9⅞-10⅛
Three months	9⅝-9⅞
Six months	9⅝-9⅞
One year	9⅝-9⅞

FINANCIAL FUTURES

THREE-MONTH EURODOLLAR $1m points of 100%

	Close	High	Low	Prev
June	90.83	90.86	90.77	90.86
Sept	90.57	90.59	90.54	90.58
Dec	90.32	90.35	90.29	90.35
March	90.10	—	—	90.13
June	89.92	—	—	89.95

Volume 1,167 (1,137). Previous day's open int 4,073 (4,026).

THREE-MONTH STERLING DEPOSIT £250,000 points of 100%

	Close	High	Low	Prev
June	90.19	90.24	90.17	90.21
Sept	90.29	90.36	90.29	90.33
Dec	90.31	90.36	90.30	90.34
March	90.20	90.20	90.20	90.20
June	90.08	—	—	90.08

Volume 800 (466). Previous day's open int 3,360 (3,456).

20-YEAR NOTIONAL GILT £50,000 32nds of 100%

	Close	High	Low	Prev
June	104-18	105-05	104-18	105-06
Sept	104-04	104-10	104-04	104-23
Dec	105-30	106-28	105-30	107-00
March	106-24	—	—	106-26
June	—	—	—	—

Volume 1,487 (991). Previous day's open int 2,836 (2,799). Basis quote (clean cash price of 15½% Treasury 1998 less equivalent price of near futures contract) 8 to 16 (32nds).

STERLING £25,000 $ per £

	Close	High	Low	Prev
June	1.5445	1.5480	1.5445	1.5425
Sept	1.5415	1.5446	1.5415	1.5395
Dec	1.5385	—	—	1.5365

Volume 808 (329). Previous day's open int 1,314 (1,298).

DEUTSCHE MARKS DM 125,000 $ per DM

	Close	High	Low	Prev
June	0.4111	0.4112	0.4097	0.4100
Sept	0.4155	—	—	0.4144
Dec	—	—	—	—

Volume 91 (77). Previous day's open int 349 (363).

SWISS FRANCS SwFr125,000 $ per SwFr

	Close	High	Low	Prev
June	0.4884	0.4892	0.4884	0.4880
Sept	0.4947	—	—	0.4940
Dec	—	—	—	—

Volume 150 (31). Previous day's open int 415 (421).

JAPANESE YEN Y12.5m $ per Y100

	Close	High	Low	Prev
June	0.4239	0.4252	0.4235	0.4249
Sept	0.4272	—	—	0.4282
Dec	—	—	—	—

Volume 26 (410). Previous day's open int 519 (558).

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Close	High	Low	Prev
June	77-16	77-20	77-01	77-11
Sept	76-30	77-02	76-16	76-25
Dec	76-14	76-18	76-01	76-09
March	76-00	76-04	75-19	75-28
June	75-20	75-23	76-10	76-16
Sept	75-10	75-10	75-03	75-06
Dec	75-02	75-05	74-27	74-30
March	74-27	74-27	74-20	74-23
June	—	—	—	—
Sept	—	—	—	—
Dec	—	—	—	—

U.S. TREASURY BILLS (IMM) $1m points of 100%

	Close	High	Low	Prev
June	91.78	91.80	91.66	91.69
Sept	91.49	91.50	91.38	91.40
Dec	91.27	91.28	91.20	91.19
March	91.08	91.08	91.03	91.00
June	90.88	90.89	90.85	90.83
Sept	90.71	90.73	90.71	90.65
Dec	90.53	90.54	90.49	90.48
March	90.36	90.37	—	90.33

CERT. DEPOSIT (IMM) $1m points of 100%

	Close	High	Low	Prev
June	91.13	91.17	91.07	91.11
Sept	90.80	90.80	90.74	90.76
Dec	90.54	90.54	90.47	90.48

THREE-MONTH EURODOLLAR (IMM) points of 100%

	Close	High	Low	Prev
June	90.58	90.59	90.50	90.54
Sept	90.30	90.30	90.25	90.27
Dec	90.06	90.07	90.00	90.01
Feb	—	—	—	—
March	89.86	89.87	89.80	89.81

STERLING (IMM) $ per £

	Close	High	Low	Prev
June	1.5435	1.5465	1.5390	1.5440
Sept	1.5410	1.5436	1.5376	1.5420
Dec	1.5400	1.5425	1.5365	1.5415
March	1.5390	—	1.5370	1.5405
June	—	—	—	—
Sept	—	—	—	—

GNMA (CBT) 8% $100,000 32nds of 100%

	Close	High	Low	Prev
June	70-19	70-21	70.08	70-17
Sept	69-28	69-30	69-18	69-28
Dec	69-10	69-12	69-00	69-08
March	68-26	68-30	68-19	68-25
June	68-11	68-11	68-03	68-09
Sept	68-00	—	—	67-31
Dec	67.25	67-25	67-25	67-21
March	—	—	—	—
June	—	—	—	—
Sept	—	—	—	—
Dec	—	—	—	—

WEEKLY CHANGE IN WORLD INTEREST RATES

	April 22	change		April 22	change
LONDON			**NEW YORK**		
Base rates	10	Unch'd	Prime rates	10½	Unch'd
7 day interbank	10¼-10⅜	+⅛	Federal funds	8⅛-8¾	−¼
3 mth interbank	10¼-10⅜	+⅛	3 mth Treasury Bills	8.15	+0.05
Treasury Bill Tender	9.7365	−0.0201	6 Mth. Treasury Bills	8.27	+0.01
Band 1 Bills	10⅛	Unch'd	3 Mth. CD	8.65	+0.05
Band 2 Bills	10	Unch'd	**FRANKFURT**		
Band 3 Bills	9⅞	Unch'd	Lombard	5.00	Unch'd
3 Mth. Treasury Bills	9⅞-9⅞	−⅛	One Mth. Interbank	5.05	Unch'd
1 Mth. Bank Bills	10⅛-10⅛	Unch'd	Three month	5.20	Unch'd
3 Mth. Bank Bills	9⅞	−⅛	**PARIS**		
TOKYO			Intervention Rate	12½	Unch'd
One month Bills	6.59375	−0.0625	One Mth. Interbank	12½	+⅛
Three month Bills	6.71875	Unch'd	Three month	12¼	+⅛
BRUSSELS			**MILAN**		
One month	10⅛	−⅛	One month	17⅝	−¼
Three month	10⅛	−⅛	Three month	17⅛	−¼
AMSTERDAM			**DUBLIN**		
One month	5⅛	−⅛	One month	15¾	+¼
Three month	5⅛	−⅛	Three month	14⅞	+¼

London—band 1 bills mature in up to 14 days, band 2 bills 15 to 33 days, and band 3 bills to 63 days. Rates quoted represent Bank of England buying or selling rates with the money market. In other centres rates are generally deposit rates in the domestic money market and their respective changes during the week. * Band 4 9⅞.

Authorised Units—continued

[illegible]

Insurances—continued

[illegible]

Offshore and Overseas—continued

[illegible]

FINANCIAL TIMES SURVEY

Saudi Arabia

After 10 years of hectic and sometimes ill-considered growth the kingdom is embarking on a period of consolidation. The Government, already under pressure from external events, faces some difficult decisions, but many Saudis believe the long-term effects will be beneficial

By ROGER MATTHEWS, Middle East Editor

SAUDI ARABIA'S powerful religious establishment and the potentially influential liberal intelligentsia — the two key strands of Saudi society which may be seeking to move the country in opposing directions — give every indication of being united on the vital domestic issue facing the kingdom in 1983. They both welcome the glut of oil on world markets and believe its impact on the kingdom should be beneficial.

After a decade of hectic and sometimes ill considered economic growth, they argue the need for an externally imposed breathing space during which the Government is forced to reassess the physical, social and political development of the state.

This mood of critical self-examination was in part encouraged by oil production policy following the outbreak of the Gulf war in September 1980. Saudi oil output climbed to over 10m barrels a day, a level far in excess of the kingdom's requirements. While Saudi Arabia's willingness to compensate for the loss of oil from Iran and Iraq was appreciated in the industrialised world, the parallel amassing of yet more substantial foreign reserves caused growing unease among some sections of Saudi society.

As one leading merchant put it: "We have now come to accept wealth in this country. Very few Saudis have much excuse for not having made money, one way or another, during the past 10 years. But just making still more money cannot be an end in itself. In the longer-term it is probably unhealthy, especially at government level, because it just encourages spending on projects which frankly we do not need. A cutback in government spending will probably cause some strains, but it is far preferable to face this now rather than continue regardless along the road we have been going."

His words should be music in the ears of a Saudi Government faced by what it believes to be harsh choices over maintaining a strong pace of development and running down the country's substantial foreign reserves. The debate over the budget announced in mid-April was anguished by Saudi standards, even though the figures which have been announced probably give little indication of the strategy which will emerge.

With reserves of over $140bn, the Government can enjoy the luxury of private vacillation. It has time to await international political and economic developments without having to wed itself to a pre-announced programme. An attempt has been made to suggest a mood of financial caution while promising that the five-year plan remains strongly on course.

Dramatic

The pace of development in the kingdom is already slackening but the impact on the public is proportionately far smaller than the truly dramatic fall in the kingdom's revenues. In the financial year ending in mid-April the Government had anticipated revenues of nearly $92bn. This year the most optimistic forecasts suggest an income of $65bn, including interest payments from investments. The more pessimistic assessments suggest the figure could be closer to $55bn.

King Fahd: on his first year on the throne he would prefer not to have to make politically difficult decisions

The 1983-84 budget accepts a $10bn drawing down of reserves, but $20bn is thought more likely because King Fahd, in his first year on the throne, would obviously prefer not to have to make politically difficult decisions. The extent to which these may eventually be forced on him will depend largely on the pace of recovery in world economic activity and how this will affect oil demand.

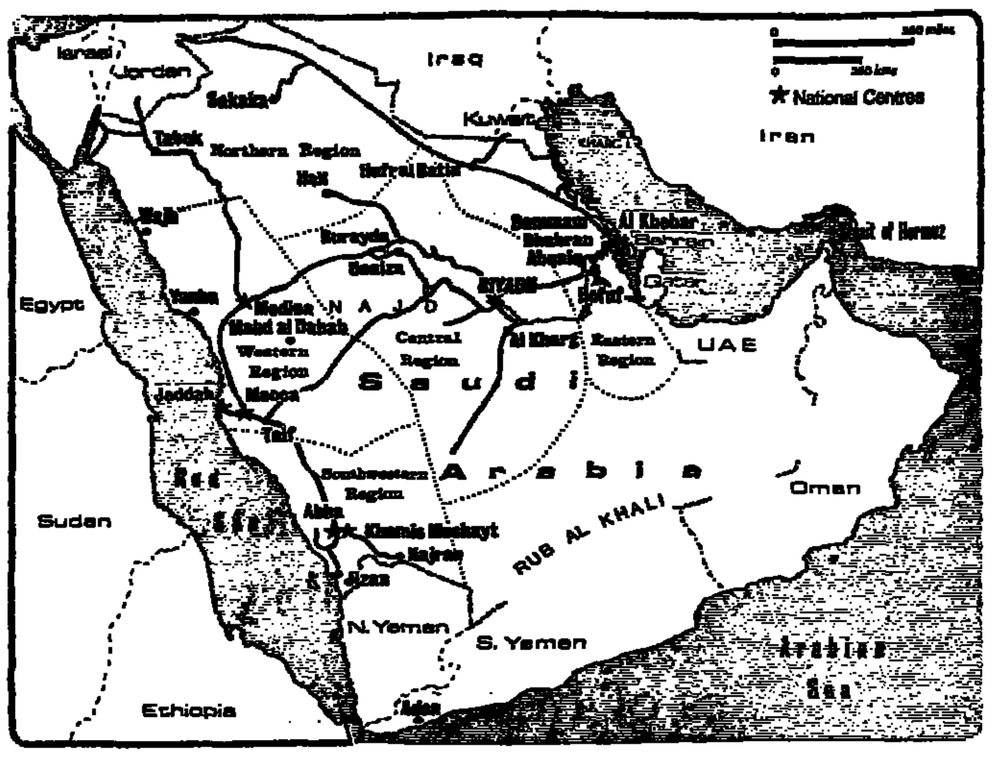
Saudi officials wish to believe that demand for Opec oil will pick up in the second half of the year leading to a revival in Saudi production from the current low of about 3.5m barrels a day to nearer 5m b/d by early 1984. Assuming also that the $29 a barrel reference price can be sustained, Saudi Arabia's budget *might be brought* back to approximate balance in 1984-85.

However this would still assume a *programme* of relative financial stringency based on a clearer *assessment of the* country's requirements. Younger Western-educated Saudis willingly list a series of measures which they say would have little impact on the public but could produce cuts of between 20 per cent and 30 per cent in government spending.

The main hardships, they claim, would fall on foreign companies which have come to rely for their profitability on involvement in Saudi Arabia and on the country's expatriate workforce, a proportion of whom would have to return home. They particularly urge a re-examination of prestige government projects, a slowing in the industrialisation programme, progressive cuts in subsidies on a wide range of basic commodities, the introduction of import duties on some luxury goods and a harder-nosed attitude towards aid disbursements.

Such suggestions probably do more to illustrate the different strands of Saudi society than provide the likely pattern of government action. The House of Saud remains deeply conservative, politically cautious, suspicious of policies on which consensus may be difficult to achieve and reluctant ever to stray far from the traditional tribal concept through which loyalty is owed more to princes rather than to government or country. The slow sociological development of Saudi Arabia, where the strict concepts of Islam also show little sign of losing their grip on public as distinct from private life, is an important brake on policy developments which could imply political change.

The fear of domestic change is inevitably greater at times of regional and international *instability*. With Israel and Iran both on the rampage during the past two years and attempting to impose solutions to the Middle East's problems through *military* superiority, Saudi Arabia's vulnerability and inability to exercise much influence on developments has been all too obvious.



Achievements

The creation of the Gulf Co-operation Council in alliance with Kuwait, United Arab Emirates, Oman, Bahrain and Qatar, while a useful achievement, scarcely compensated for the emasculation of Arab unity highlighted so vividly by Israel's invasion of Lebanon and the Gulf war. The close Saudi association with a U.S. Government which was unwilling or unable to check the ambitions of either Israel of Iran, both of which enjoy deriding the Saudi leadership, was made at times to seem even more of a contradiction.

It is risking little to predict that whatever political evolution does occur in Saudi Arabia will be in the long-term detrimental to U.S. interests. The passive attitude of the Saudi Government towards the U.S. last summer when Palestinians were being killed in their hundreds by Israeli forces in Lebanon sits uncomfortably alongside the vigorous diplomatic rebuff to Britain a few months later when it refused to accept top level *Palestinian* representation on an Arab League visit to London.

Much more understandable is the costly Saudi commitment to the survival of the previously hostile regime of President Saddam Hussein in Iraq. The Saudis are relieved that *Ayatollah Khomeini's ambition* to replace President Hussein with a Shia fundamentalist regime has so far been blocked by the stalemate on the battlefield. But they still face the daunting prospect of having to finance Iraq's survival for the foreseeable future.

Saudi Arabia is thought to have provided close to $20bn during the past two years and although future aid will be limited more strictly to Iraq's war effort, the sums involved are likely to remain substantial. The Government in Riyadh is also well aware that the eventual price of a peace treaty will be the payment of heavy reparations to Iran, a factor which also plays its part in budget strategy.

The pressure of so many external events on the Saudi Government may already be promoting a more collegiate style of leadership with the Cabinet acting more as a committee. There is no sign yet of the mooted consultative council, but neither is there any clear sign that a majority of Saudis feel the need for one. Political prisoners are very few and although there are occasional stirrings among the Shia population in the Eastern provinces, there is no evidence of any serious threat to the pre-eminence of the Saud Royal Family.

However Saudi society cannot be isolated from the world outside and reaction to the world oil glut emphasises how aware some Saudis have become to the challenges and opportunities which are now being presented. They will be disappointed, but not entirely surprised, if the Government fails to respond.

CONTENTS

The economy and energy

Industry

Finance

Politics

Richard Johns examines the kingdom's oil policy

Striving to preserve the long-term market

TWO YEARS ago Saudi Arabia was pumping oil at the rate of rather more than 10m barrels a day, nearly 40 per cent of the Organisation of Petroleum Exporting Countries' output at the time and over 20 per cent of the non-Communist world's total. In the first quarter of 1983 its average had dropped to 3.67m b/d, 24 per cent of a greatly diminished Opec flow and 8 per cent of a significantly reduced global total.

The contrast illustrates dramatically its role as "swing producer," one with a capacity only equalled by the Soviet Union, able to raise or lower output in response to fluctuations in supply and demand. It also highlights its previous commitment to realigning prices at a lower level, an objective finally achieved in the autumn of 1981, and now its vital role in the fight to defend the new Opec reference price of $29 per barrel set in March.

Last year Saudi output plummeted by 34 per cent to 6.5m b/d while that of Opec fell by a more modest 22 per cent to a little less than 18.5m b/d. The kingdom's share has, arguably and in the opinion of other members, been disproportionately high if one takes into account the kingdom's relatively small population and the size of its accumulated assets.

Nevertheless, the sacrifice *has* been a large one given its revenue expectations and the level of expenditure to which it has become accustomed. The budget for 1982-83 seemed to imply a rate of production of at least 7.5m b/d, compared with the self-imposed ceiling then in force of 7m b/d.

Saudi disbursements have consistently fallen short of projections—though the gap has been progressively closing—and the scope for cutting back on development spending is considerable. In the event average output since last May, the start of the new Saudi fiscal year, has averaged about 5.2m b/d.

At the outset of the critical Opec talks in London last month which concluded the pact on a collective ceiling on production of 17.5m b/d, *individual quotas for member states* and the new price structure Sheikh Ahmed Zaki Yamani, Saudi Minister of Oil, initially held out for an allocation for the kingdom of no less than 6m b/d—apparently on the basis of fairly flexible guidelines from King Fahd.

Damaging

In the event, he agreed to a quota of no more than 5m b/d and committed his Government to bear the brunt of any fall in demand below such a level. As it is, with demand for Opec oil probably not exceeding by much the 16.5m b/d recorded in the first quarter, Saudi Arabia will continue bearing the brunt in the current slack oil market.

Since the damaging price escalation of 1973-74 it has consistently sought to restrain the oil price rises with the result that in 1976-77 and then again for a 32-month period from early February 1979 until the price realignment it was out of line with nearly all other members of Opec. Its resistance to the second 1978-79 prices explosion was based largely on considerations of the Kingdom's interdependence with the West. Increasingly, though, it has been preoccupied with ensuring producers do not *undermine the long-term market for oil by over-pricing the commodity.*

In other words, the kingdom wants to maintain demand at a reasonable level and prolong consumers' dependence on it until well into the next century.

Its policy is based on the fact that it possesses about a quarter of the world's reserves. Those proven were officially estimated, almost certainly with great conservatism, last year at 162.4bn barrels—or 24 per cent of the total recorded at the end of 1982 by The Oil and Gas Journal in its annual survey.

That would be sufficient to maintain a rate of production of 7m b/d for 63 years. Ensuring demand for oil for as long as possible has become as big a factor behind its moderate pricing policy as concern with the West's economic health.

Sheikh Ahmed Zaki Yamani, Minister of Oil, first articulated the policy in public in an address at the University of Petroleum and Minerals at Dhahran in February 1981. He said: "If we force Western countries to invest heavily in finding alternative sources of energy, they will. This would take no more than seven to 10 years and would result in reducing dependence on oil as a source of energy to a point which will jeopardise Saudi Arabia's interests. Saudi Arabia will then be unable to find markets to sell enough oil to meet its financial requirements."

No less than 98.1 per cent of Saudi reserves were, at the last reckoning, accounted for area operated and explored by the Arabian American Oil Company which still covers 220,000 square kilometres of the original concession area granted to Standard Oil of California in 1933.

Up until the end of 1981 no less than 47 commercial fields had been discovered—30 onshore, 14 off-shore, and three straddling the coast line of the Gulf.

Included among the onshore fields is Ghawar, the largest in the world with a length of 150 miles and a width of up to 15 miles. Safaniya is the biggest off-shore field ever discovered. Of the total only 15 are currently being produced.

By contrast to the Aramco area, the rest of the kingdom's proven reserves are concentrated in the Neutral Zone—a relatively modest 490m barrels in the area operated by Getty Oil and 2.48bn barrels in the offshore territory worked by the Arabian Oil Company.

Aramco's production capacity could be far higher than the level of little more than 11m b/d at which it is now generally rated. The target is being raised under a programme which has been considerably scaled down and subject to a more realistic *assessment of what is "sustainable."* While priority has been given to the exploitation of associated gas, the aim now is to achieve the technical capability of producing 12m b/d by the middle of the decade through the addition of another 1.5m b/d of capacity to produce medium and heavy oil.

Given most market forecasts, that will give a considerable surplus even by then—as well *as the means* to adjust the mix of output according to the varieties enjoyed by Saudi Arabia — Arabian Light (34 degrees API), the reference of the Organisation of Petroleum Exporting Countries, Berri (39 degrees API), Arabian Medium (31 degrees API), and Arabian Heavy (27 degrees API).

Just how much production *Saudi Arabia requires to satisfy* budgetary purposes, on the one hand, and sufficient associated gas to feed power stations, water desalination plants and refineries, on the other, remains unclear.

On the financial side there have been two pronouncements on the subject recently. Sheikh Hisham Nazer, the Minister of Planning, who is in the conservationist school, said early in April that Saudi Arabia did not need an output of more than 5m b/d for its economic development. He may not have taken full account of the mounting cost of current expenditure. Sheikh Abdul Aziz Quraishi, who was then Governor of the Saudi Arabian Monetary Agency, said that the rate would would have to be in the order of 6m b/d at a price of $34 per barrel compared to the $29 to which the Opec reference has now been reduced.

The level would depend, of course, on how far the Saudi Government is prepared to draw upon its accumulated financial assets. As for gas needs, Sheikh *Yamani claimed in* January that a rate of 4.7m b/d of light crudes—as yet the heavy and medium varieties are not tied into the master gas system—would be needed to meet peak electricity and water demand. It became clear subsequently that he was exaggerating, presumably as part of the process of negotiating Opec quotas.

In practice, as Dr Abdulhardy Taher, Governor of Petrolin, has *stressed* on several occasions, Saudi Arabia has some capability of switching fuels and has a great deal more under development.

He has said that even when the big industrial projects are all on stream in 1985-86, 5m b/d would be sufficient. For the time being, it seems that the kingdom can get by with an Aramco output of in the order of 3.5m b/d provided the lighter crudes account *for 70 per cent* of it.

That has been the ratio traditionally laid down by the Government. More recently the goal has been a 50:50 split which was almost achieved when output soared to 10m b/d early in 1981. With the drop in production it reverted to something like 70 : 30 not the least because of the need to sustain an adequate flow of associated gas.

At the same time, the proportion of liftings by the four U.S. partners in the Aramco operation — Socal, Texaco, Exxon and Mobil—have fallen.

The main reason was the strict Saudi observance of the $34 per barrel reference when othe actual rates of other producers were being eroded or set at lower levels. Another was the fact that when Saudi crude was cheaper during the 30-month period they had built up relatively bigger inventories than other companies.

Agreement

Of Saudi Arabia's 5m b/d quota under the Opec production agreement the volume assigned to the Neutral Zone is 150,000 b/d each for Saudi Arabia and Kuwait.

Such a rate would be in line with actual output in 1982 when the two states shared an average for the year of 315,000 b/d. The greater part of that —193,000 b/d of 35 degree API Hout crude and heavy 28 degree API Khafji—came from the offshore operations of the Arabian Oil Company, the Japanese-owned concessionaire *of both states.*

The balance of 129,000 b/d was produced by the on-shore venture for which the operator and Saudi concessionaire (with a 40 per cent stake since 1976) is Getty. Earlier this year Getty filed a suit against Kuwait seeking an injunction against it lifting more than its half share —which it has since 1977. Kuwait claims that it has only been recompensing itself for oil in excess of Getty's share lifted prior to that date.

Saudi Arabia's position as the world's leading exporter was further enhanced with the opening in the summer of last year of the 48 in 750-mile trans-peninsula pipeline, with its 1.85m b/d capacity, from the eastern province to Yanbu on the Red Sea. Maximum throughput could be raised in two stages to 2.4m b/d and then to 3m b/d. The facility considerably shortened the distance to the Suez Canal and the Sumed pipeline for western destinations. No decision on expanding capacity has been taken. In practice, the throughput is believed never to have run at more than 1.4m b/d and has recently be less than 300,000 b/d.

Unclear

Dedicated at the same ceremony in February was the 250,000 b/d export refinery at Yanbu, a 50:50 joint venture between Petromin and Mobil, which will receive its feedstock through Petroline. Designed and constructed under a $1.3bn contract, Chiyoda Petrostar, it is scheduled to come fully on stream in the fourth quarter of 1984. Jubail on the east coast, the $1.4bn *Shell/Petromin* project, also with a prospective capacity of 250,000 b/d, is set to start-up in early 1984 with the work being carried out by Chiyoda Petrostar Saudi Arabia, Technip Saudi Arabia, Parsons of the U.S., Chiyoda Chemical and Engineering and Construction of Japan, and Technip of France. The third major export facility under construction is the 325,000 b/d refinery at Rabigh, the deep water port between Jeddah and Yanbu, for which Petromin chose as its 50:50 partner Petrola, the company of the Greek shipping and oil man Mr John Latsis. It is not clear whether this project will go ahead on the scale originally envisaged.

Completion of the three projects will give Saudi Arabia an export-orientated capacity of 825,000 b/d in addition to the Aramco refinery at Ras Tanura which processed 416,000 b/d of crude oil in 1981. Others are being implemented to satisfy rapidly rising domestic demand which is projected as increasing from 580,000 in 1980 to over 1.5m b/d in 1980. Petromin's refinery at Yanbu is scheduled to go on stream in July at 60 per cent of its 170,000 b/d capacity. Two other domestic capacity.

The state oil corporation's Riyadh refinery has run at more than its rated design capacity of *120,000* b/d. Its refinery at Jeddah can produce at nearly 90,000 b/d. But Petromin has *ben able to reduce* the volume of crude processed abroad for the local market but the volume under current contracts is still in the 110-130,000 b/d range.

Meanwhile, a big expansion *of lube oil production promising* a considerable surplus for export is in hand or being implemented. The one existing produceer Petrolube, a 71:29 joint venture between Petromin and Mobil, has a capacity of 1m barrels a year, or half of present domestic consumption. It plans to double capacity.

At Yanbu a 50:50 Petromin-Ashland Oil project designed to process 1.8m b/y is scheduled to come on stream in 1984.

Others could bring total capacity up to nearly 8m b/y if they go ahead.

DIRECTION OF OIL EXPORTS

(in millions of U.S. barrels)

Year	1976		1978		1980	
Destination	Crude	Refined	Crude	Refined	Crude	Refined
North America ...	171	8	509	1	619	4
Latin America ...	490	8	139	3	127	2
Western Europe ...	1,268	13	1,092	15	1,432	36
Middle East	83	1	94	1	98	1
Africa	31	4	13	2	48	1
Asia and Far East	860	100	928	102	1,008	100
Ocenia	33	5	34	2	46	2
Bunkers	—	63	—	47	—	31
Total	2,939	205	2,812	178	3,375	180

Source: Petroleum Statistical Bulletin 1980.

REVENUE AND EXPENDITURE

(in millions of ryals)

	1976	1977	1978	1979	1980
Oil revenue	121,191	114,042	115,078	189,295	319,305
Other revenue ...	14,766	16,617	16,427	21,901	28,795
Total revenue ...	135,505	130,505	131,505	211,196	348,100
Total expenditure	128,273	138,048	147,971	188,363	236,570

Source: Finance and National Economy Ministry

The fall off in oil revenue is forcing a cutback in public spending. **Alec Thomas** reports

Getting to grips with a new economic era

FOR THE past 10 years, the motor of the Saudi economy has been government expenditures on construction contracts. Through government expenditures oil revenues have been deployed both to add to the nation's capital by investment in economic and social infrastructure projects and to create consumer demand for a wide range of commodities ranging from cement to office furniture, from foodstuffs to electronics, from industrial machinery to motor vehicles.

At every stage the Saudi Government has sought to ensure that members of the Saudi business community benefited, either as agents putting together contracts, or as agents importing goods and services, or as main or sub-contractors or as shareholders in banks, transport and other service companies. It required no sophisticated foresight to see that the Government could not continue for ever to fuel the economy by expenditures on public-sector construction contracts, if for no other reason than that there is a physical upper limit to the amount of economic infrastructure that any society needs.

Well-equipped

There are just so many jumbo Jeddah International airports that a nation can absorb, so many empty multi-storey apartment blocks built with public money to house low-income families who choose to live elsewhere, so many modern and well-equipped Jubail ports handling one or two ships a month.

Long before the impact of a dramatic fall in oil revenues began to dawn on the Saudi business community, ministers and officials were warning that the construction sector would begin to decline both in relative and in absolute terms.

The underlying trends of the changing shape of the Saudi economy were becoming apparent two years ago. In figures released 12 months ago, the Government gave details of GDP at constant 1969-70 prices over the five-year period ending May 1981.

The relative decline of the oil sector, both crude petroleum and natural gas production and oil refining, over the period is not surprising, given the dramatic broadening of the base of the economy. Construction remained the second largest contributor to GDP over the period to 1979, but the relative share of the sector peaked in 1977-78 at 10.9 per cent and since has shown a steady fall, a fall which can be expected to become more pronounced in the immediate future. The wholesale and retail trade sector has now become the second largest contributor to GDP.

The growth sectors have been the wholesale and retail trade, including hotels and restaurants, contributing 7.3 per cent of GDP in 1976-77 and 12.1 per cent in 1980-81 and transport, storage and communications, 4.9 per cent in 1976-77 rising to 6.3 per cent in 1980-81. Other growth sectors have been non-oil manufacturing, essential services (electricity, gas and water) and the finance, insurance and real estate sector.

Thus Saudi Arabia, like Kuwait and Bahrain, is developing as a service economy, in spite of attempts to broaden the industrial base. Even when the heavy industrial plants now being built in Jubail and Yanbu are fully operational in 1986, the services sectors, transport, storage, communication, finance, insurance, real estate and business services, are likely to remain the most dynamic.

This is not surprising, given the mercantile traditions of the Arabian peninsula, the basic preferences of the people, and the narrow market for much local industrial production, which can only remain competitive behind protectionist policies (subsidies, tariffs and "buy Saudi").

When the Government appeals to the Saudi business community to pick up some of the burden of future development, and to make use of the excellent modern economic infrastructure as well as the capital acquired over the last ten years of sustained and dramatic growth to invest in the future of Saudi Arabia, the great majority of Saudi entrepreneurs look to investment in, for example, management, maintenance and other service undertakings as well as banking and other financial services.

Even without a drop in oil revenues, the Saudi economy would have been entering a new phase in the early 1980s. In any case, some of the more traditional Saudi entrepreneurs would have been slow to adapt to the new challenge of business in the kingdom, and some of the smaller, less well-managed Saudi companies would have gone out of business. Any slowdown, any period of economic stagnation or consolidation, or even recession which might follow a significant drop in government expenditures will serve merely to accentuate this underlying trend.

But it is by no means certain that the fall in oil revenues will be immediately and automatically translated into a commensurate drop in government expenditures. The Government will seek to cushion the economy by drawing down financial reserves. Saudi ministers and officials have always maintained that the growing financial surpluses, which sometimes were something of an embarrassment, would be needed one day, probably sooner rather than later, to sustain the domestic economy.

The Saudi Government has not shown any enthusiasm for the Kuwaiti policy of building a long-term portfolio fund for future generations, for example, and has sought always to keep a sizeable part of its foreign assets in easily marketable instruments.

IMF figures suggest that the foreign assets of the Saudi Arabian Monetary Agency (SAMA) were marginally in excess of $140bn at the end of 1982. Bank analysts say that this total is broken down roughly as one-third short and long-term bank deposits, one-third longer-term loans to the Japanese, West German and French Governments, for example, and in various Government and corporate bonds, and one-third in illiquid assets such as IMF contributions, soft loans and loans, for example to Iraq, where early repayment is unlikely.

Bankers' estimates put the total of Saudi private sector, including commercial bank, foreign assets at the end of 1982 at about $35bn.

In the first three months of 1983, SAMA did not renew a number of foreign bank deposits and it is virtually certain that this process will continue. The Government seems also to be managing its cash flow by delaying at least some of its payments to contractors.

In the first quarter of 1983, the "normal" payment delay of 30-60 days had been extended to 90-120 days, though some Government agencies were continuing to pay promptly.

In any case, past free-spending policies have left a legacy of commitments for on-going projects which are impervious to threats of budget cuts. A momentum of Government expenditure has been built up which will take more than one year's austerity to slow down.

The Saudi Government claims that it has virtually eliminated inflation. Firm domestic policies, a strong dollar and tumbling inflation rates worldwide have contributed to this. Contractors bidding for new contracts in the kingdom confirm that the rate of inflation is now for all practical purposes zero.

It is not difficult to establish a consensus that the Saudi economy is strong and well-balanced, capable of sustaining a period of both fiscal and balance of payments deficits without undue concern.

Many businessmen and bankers in the kingdom claim to welcome a probable period of consolidation, with a shake-out of weaker firms and the elimination of the extremes of extravagance. The gradual removal of Government expenditures as the prime mover of the economy can only have longer-term benefits and encourage progressive Saudi entrepreneurs to be innovative.

Favoured

In this, they will be favoured by the treaty on economic co-operation now being implemented by the six Governments of the Gulf Council for Co-operation (GCC).

The GCC economic treaty is more related to the development of a service economy in the region of the Gulf than it is to a manufacturing-based regional economy. Thus new business in Saudi Arabia will gradually cease to be interested to the point of obsession with new Government contracts, and become more and more interested in using Saudi Arabia's excellent infrastructure and very substantial capital base to create regionally oriented investment opportunities in service industries.

GDP BY ECONOMIC ACTIVITY AT CONSTANT 1969-70 PRICES

SECTOR (In millions of riyals)	1976-77	%	1977-78	%	1978-79	%	1979-80	%	1980-81	%
Industries and other products except producers of government services	1,282	3.2	1,483	3.5	1,550	3.6	1,639	3.3	1,735	3.3
Agriculture, forestry, fishing	1,282	3.2	1,483	3.5	1,550	3.5	1,638	3.3	1,735	3.3
Mining and quarrying:										
(a) crude petroleum and natural gas	19,852	50.1	19,650	46.7	20,112	44.8	21,652	43.8	22,487	42.2
(b) other	134	0.3	147	0.4	125	0.3	128	0.3	134	0.3
Manufacturing:										
(a) petroleum refining	1,523	3.8	1,591	3.8	1,689	3.8	1,749	3.5	1,716	3.2
(b) other	956	2.4	1,103	2.6	1,276	2.8	1,477	3.0	1,711	3.2
Electricity, gas and water	414	1.0	546	1.3	725	1.6	868	1.8	1,109	2.1
Construction	4,146	10.5	4,582	10.9	4,700	10.5	5,128	10.4	5,461	10.2
Wholesale and retail trade, restaurants and hotels	2,881	7.3	3,555	8.5	4,272	9.5	5,349	10.8	6,440	12.1
Transport, storage and communication	1,929	4.9	2,367	5.6	2,729	6.1	3,118	6.3	3,383	6.3
Finance, real estate, insurance and business services:										
(a) Ownership of dwellings	2,276	5.7	2,549	6.0	2,804	6.2	3,084	6.2	3,393	6.4
(b) Other	799	2.0	913	2.2	1,072	2.4	1,222	2.5	1,440	2.7
Community, social and personal services	413	1.0	470	1.1	534	1.2	611	1.2	699	1.3
LESS Imputed bank service charges	99	0.2	144	0.3	197	0.4	250	0.5	313	0.6
Sub Total	36,503	92.0	38,812	92.3	41,391	92.3	45,774	92.6	49,395	92.7
Producers of government services	2,813	7.1	2,953	7.1	3,130	7.0	3,334	6.8	3,567	6.7
GDP in Producer's Values	39,318		41,765		44,521		49,108		52,962	
Import duties	350	0.9	263	0.6	317	0.7	316	0.6	304	0.6
GDP IN PURCHASER'S VALUES	39,668	100.0	42,028	100.0	44,838	100.0	49,424	100.0	53,266	100.0

Source: Central Department of Statistics, Ministry of Finance and National Economy, National Accounts.

IMPORTS FROM MAJOR INDUSTRIAL COUNTRIES
(in $m)

	1980 Total	1981 Total
U.S.	5,769	7,330
Japan	4,881	5,858
W. Germany	2,358	2,738
UK	2,465	
Italy	2,104	2,266
France	1,457	1,848
Belgium	525	671
Netherlands	1,096	1,077
Switzerland	624	608
Austria	100	168
Sweden	485	516
Denmark	142	178
Norway	26	22
Canada	267	382
Total	22,298	

Source: IMF


Roustabouts drilling for oil: the dramatic broadening of the base of the economy has put oil in relative decline but it is still the life blood of the kingdom.

Richard Johns reports on developments in gas exploitation

More projects in the pipeline

THE first phase of Saudi Arabia's Master Gas System, completed last year ahead of schedule and at the cost of some $10bn, constitutes the biggest single project undertaken in the kingdom. But it has not harnessed all of the gas produced in association with oil. Nor has it reduced the Kingdom's vulnerability to a big drop in oil production of the kind witnessed over the past year. Thus, quietly and without any announcement, the Government has proceeded with two other important projects which will bring Saudi Arabia closer to fulfilling a much greater gas potential.

First, the Arabian American Oil Company has embarked on the second phase of the MGS which is aimed at exploiting all the associated gas by tying in also the fields producing medium and heavy crude varieties. The project is scheduled for completion in 1985 or 1986 and would give capacity for utilising up to 95 per cent of gas associated with oil production of up to 12m b/d.

Second, it is going ahead with the development of dry gas reserves unassociated with oil production, in the deep Permian Khuff zone.

Serious exploration of this strata only started two years ago. The decision to go ahead with tapping it was apparently taken after a highly promising strike in the summer of last year. The initial plan is understood to involve production at a rate of 500m cubic feet per day in 1985, thus reducing what the authorities appreciate is a dangerous dependence on associated gas.

The extent of the kingdom's reserves of unassociated gas — which no observer ever doubted exist in substantial quantities — is a matter enshrouded in some secrecy. At the same time the fact that a serious search for them only began so recently has made any accurate assessment of Saudi potential difficult if not impossible.

As it is, The Oil and Gas Journal's last annual survey (regarded as the most authoritative) estimated the kingdom's proven reserves at 117 trillion (million million) cubic feet recoverable with present technology and prices, or rather less than four per cent of the world total. On average about 600 cubic feet are associated with each barrel of oil produced in Saudi Arabia.

Modest beginning

Exploitation of gas began on a modest scale in the early 1950s with the construction of two injection plants around the southern stretches of the huge Ghawar oil field. A much more significant advance came with the completion in the early 1960s of the NGL plant at Abqaiq and the first liquefied petroleum gas (LPG) units at the Ras Tanura refinery.

The system was further expanded with the inclusion of production and processing facilities at the northern end of Ghawar. Four gas oil separator plants (GOSPs) and a treatment centre subsequently installed to harness gas from the off-shore Berri field.

Completion of the first phase of the MGS means that about three-quarters of gas associated with a production of about 7m b/d could be exploited. At full capacity the system should be able to produce 375m cfpd of ethane earmarked as feedstock for petrochemical projects, 2bn cfpd of methane to provide the raw material for the fertiliser and methanol plants, as well as fuel for basic industries, power generation and water desalination; about 300,000 b/d of natural gas liquids—propane, butane and condensates—for export; and 3,700 tonnes per day of sulphur, the by-product from the initial process of seperation and sweetening.

Other off-shore facilities were also excluded from the first phase which is limited to drawing gas from the on-shore fields. The gas then flows to the new processing plants at Uthmaniyah and Shedgum, each with a capacity of 1.5m cfpd. There, impurities such as carbon dioxide and hydrogen sulphide are removed. Methane—the dry gas—is extracted for pumping to the industrial plants and refineries at Jubail with a small proportion diverted to Ras Tanura for hydrocracking at the Aramco refinery.

Nearly half the wet gas liquids flow to the fractionation plants at Juaymah—on the Gulf coast for separation. The ethane is committed for the petrochemical plants at Jubail. The maximum volume of NGL available for export amounts to about 160,000 b/d.

The system is designed to pump a larger volume—about 300,000 b/d—through Petroline to the fractionation facilities at Yanbu where up to 110,000 b/d can be utilised for feedstock and fuel for industries. The full potential for exports of NGL from the Gulf is about 130,000 b/d. In effect, as much as 7.5m tonnes of LPG—propane and butane—can be exported from Ras Tanura now on the basis of a production of 6.5m b/d of Arabian Light crude and 1.5m b/d of Berri. From Juaymah and Yanbu the maximum would be 9m tonnes annually from an average output of 8.5m b/d of Arabian Light. Thus, under the first phase of the MGS full capacity is in the order of 16.5m tonnes, rising with the completion of the second phase to 20m tonnes or so.

That, of course, would depend on an oil production of 12m b/d. In the meantime and for the foreseeable future it is hardly conceivable that the production rates for the light crudes will run at a level high enough to give anything like full capacity.

The drop in oil output has led to a proportionate fall in availability of LGP from Saudi Arabia and also an increase in price. At the turn of the year Petromin had concluded contracts for supplies amounting to 8.5m tonnes in 1983, with 3.35m tonnes accounted for by Japanese customers, which would have presupposed an Aramco production of about 8m tonnes.

With the volume having fallen to about half that level Petromin had to reduce nominations by 50 per cent from scheduled volumes from the beginning of April.

With the steep rise in spot premiums resulting, Petromin raised the price of propane by $10 a tonne to $260, and that of butane by $15 to $270 from February 1 to take into account the situation of tightening of supply.

Pricing formula

It took this action notwithstanding the introduction, in 1983 contracts of a new pricing formula whereby they would be linked to the price of Arabian Light—starting at 85 per cent on the basis of thermal parity this year rising to 95 per cent in 1988.

As yet, though, no adjustment has been made to reflect the fall in crude oil prices. The Saudi initiative was generally acceptable to customers because it promised greater price stability regardless of supply fluctuations.

Despite the low level of Saudi production over the past year and the prospect of it continuing, completion of the first phase of the MGS has greatly consolidated Saudi Arabia's position as the world's leading exporter of NGL. They are set to make an increasingly significant contribution to revenue. NGL sales in 1981 were worth $2.65bn. Dr Abdulhadi Taher, Governor of Petromin, has forecast that they will be worth $11.64bn by 1987.

But equally vital for Saudi Arabia is the manner in which the MGS has exploited associated gas for the generation of electricity, desalination of water, and as fuel and feedstock for industry. But here the big question concerns the minimum level of oil production needed as demand continues to sag.

Currently, it seems, the rate required would be no more than 5m b/d when all the big industrial projects have come on stream in 1985-86. In this respect the kingdom has already achieved a large measure of flexibility through the installation of dual and multi-fuel systems for power generation.

The intention is to increase such a capability. But it is officially acknowledged that there could be a shortfall in gas needed as feedstock for the petrochemical industry. That was one reason for the sudden urgency with which Aramco pressed ahead with exploration for dry gas unassociated with oil production and plans for exploiting it.

Petrochemicals is fledgling industry

THIS MONTH Saudi Arabia entered the petrochemical industry. A recent shipment of 30,000 tonnes of methanol bound for Japan marked the inauguration of the country's fledgling industry.

In just two years, the country expects to be a full-blown member of the industry—with an annual output of 5m tonnes of petrochemicals—following ten years and a $11bn investment. The international chemical fraternity, however, has yet to put out the welcome mat.

Indeed, just four months ago Dow Chemical, one of Saudi Arabia's partners in its petrochemical programme, pulled out of the Petrokemya ethylene project at Jubail, where it had been a partner of the Saudi Basic Industries Corporation (Sabic). The company cited the huge world-wide surplus of petrochemical capacity as the major reason for its decision.

Sabic, however, immediately said that it would carry on with most of the project without Dow and that its construction schedule would not be affected.

With world-wide overcapacity in petrochemicals running at between 30 and 40 per cent, it's not hard to see Dow's point. In Europe alone, petrochemical companies are estimated to be losing $200m a month on their bulk plastics businesses.

In 1976, when the kingdom first began to consider petrochemical projects, and in 1980, when the projects were approved, the world chemical market seemed considerably less troubled. In the U.S., for example, ethylene plants were still being constructed in 1979 and 1980. In fact, forecasts in 1976 for the basic petrochemical consumption in 1980 showed demand reaching 40bn lb and growing through the 1980s. Continued world-wide recession, however, meant that demand last year in the U.S. was less than 25bn lb and plants around the country were being mothballed.

Sweetening

While it is understood that Saudi has responded to the market's condition by sweetening the terms of its agreements with its major remaining partners, Sabic has resisted pressure to scale back its ambitious programme as it continues to take a long-term view on the state of the market.

Despite falling oil prices, its feedstock advantage is still extremely strong compared to those producers who don't have natural gas in their backyard. Further, Abdel-Aziz Zamil, vice chairman and managing director of Sabic, maintains that its partnerships with major chemical companies in this development programme represent a "clear contribution" to the rationalisation and restructuring process of the industry worldwide.

"We have offered 50 per cent of ownership in our plants to the leading petrochemical companies to make it easier to market those products and to forestall or eliminate any unneeded capacities elsewhere," he said at a conference recently.

The projects are being constructed in the two cities of Al-Jubail and Yanbu. When completed, output of the projects is forecast to take up between 3 and 5 per cent of the world market. Production will include nearly 1m tons of low and high density polyethylene, 300,000 tons of styrene, 280,000 tons of ethanol, 1.3m tons of methanol, 1.3m tons of urea and nearly 2m tons of ethylene.

Requirements

Where will these products go? Abdel-Aziz Zamil says that first the requirements of local industry will be satisfied, accounting for approximately 11 per cent of the output. Second, he says the internal requirements of the joint partners will be met, accounting for a further 25 per cent. The rest will be sold in the world marketplace with some aid of Sabic's partners.

Chemical industry analysts believe that the Middle East is now assuming greater importance in Sabic's marketing strategy. For example, relatively bouyant demand for high-density polyethylene, a favoured plastic by the construction industry, in developing countries should mean that at least 70 per cent of the kingdom's output of this product should end up in the Middle East and other markets outside U.S., Europe and Japan.

Mr Michael Hyde, editor of Chemical Insight in London, has projected that Saudi Arabia will export between 5 and 20 per cent of its high and low density polyethylenes to the U.S., Europe and Japan by 1990. As a result, he forecasts that the kingdom will take only 1 per cent of the LDPE market in the U.S. by 1990 and 0.5 per cent of the HDPE. In Europe, he reckons the final market shares will be 3.1 per cent for LDPE and 1.6 per cent of HDPE.

Even so, analysts point out that the added capacity of the Saudi projects will continue to exert pressure world-wide on prices. Goldman Sachs, the Wall Street brokers, have estimated that capacity for low and linear low density polethylene would rise by more than 25 per cent between 1981 and 1985, as a result of current Saudi Arabia and Canadian production plans.

Goldman Sachs projects that growth in demand world-wide would have to average 9 per cent per year to soak up this capacity.

These sort of figures are the kind to prompt many in the industry to cry for tariff restrictions to Saudi imports. Mr Hyde has suggested that it would be more constructive if companies sought ways of exploiting Sabic's advantage, for example, the purchase of low-cost intermediates which could well help European producers remain competitive in polymers.

"The fact that most companies will be unable to compete on equal terms in commodity chemicals and plastics is the very reason why they should be concentrating on their areas of strength while they have time to do so and trim their capacities in threatened product lines, without waiting for a battle in the market place which they are likely to lose," concludes Mr Hyde.

Carla Rapoport

MAJOR OIL REFINERY PROJECTS

All projects under the authority of the Petroleum and Minerals Organisation (Petromin).

	Shareholders	Location	Signature date	Contractor	Completion date	Cost of feedstock	Products (barrels a day)
Petromin Refinery in Riyadh	Petromin 100%	Riyadh	Not applicable	Original work and expansion by Chiyoda	Original refinery started in early 1970s, expansion on stream 1981	Not applicable—all domestic oil product prices are far below world levels	Originally 20,000 b/d of mixed oil products. Now 120,000 b/d. Output is for domestic market
Petromin Shell Refinery Company	Petromin 50% Shell 50%	Jubail	September 1981	*Management by Shell, main contractor* Chiyoda/Parsons/Technip consortium	1985	*Officially crude will be bought at state* selling price. In practice there will be a discount	*250,000 b/d of output,* including benzene, naphtha, chemical gas oil and fuel oil. Output will be exported
Jubail Lube Oil Refinery (JLOR)	Petromin 50% Texaco 25% Chevron 25%	Jubail	Project has come close to signature since it was conceived in mid-1970s, but is now in limbo	Engineering by Lummus. Construction contract not awarded	Not applicable	Not applicable	12,000 b/d of finished lube oils, mainly for export. Other products would be naphtha, diesel and fuel oil, running at about 40,000 b/d
Petromin Mobil Yanbu Refinery Company	Petromin 50% Mobil 50%	Yanbu	1980	Management by Mobil. Engineering, procurement and construction by Chiyoda	1984	Officially government selling price. In practice there will be a discount	250,000 b/d of propane, gasoline, jet fuel, diesel, fuel oil and sulphur, for export
Petromin Refinery at Yanbu	Petromin 100%	Yanbu	Project conceived in 1977 as major expansion of Jeddah refinery. Later transferred to Yanbu	Detailed engineering, procurement and construction by Chiyoda	1983	Not applicable—all domestic petroleum products are sold far below world price	170,000 b/d of LPG, gasoline, kerosene, jet fuel, diesel and fuel oil. All output for domestic market
Petromin Ashland Yanbu Refinery Company (PAYRCO)	Petromin 50% Ashland 50%	Yanbu	Not applicable. No definite decision yet to build project	Engineering and design by Foster Wheeler	2-2½ years	Not applicable	5,000 b/d of lube oils
Petromin Petrola Rabigh Refinery Company	Petromin 50% Petrola 50%	Rabigh, on coast north of Jeddah	Work began in 1980, though formal contract signed only in December 1982	Management by Petrola. Engineering and construction by Snamprogretti	1985	Officially crude will be bought at government selling price. In practice there will be a discount	235,000 b/d of mixed oil products, for export
Jeddah Oil Refinery Company (JORC)	Petromin 75% SARCO 25%	Jeddah	Not applicable	All work on this refinery has been done by Chiyoda	Original refinery built in late 1960s and early 1970s. Latest expansion completed	Not applicable. All oil products in Saudi Arabia sell at prices well below international levels	95,000 b/d of mixed oil products for domestic consumption
Petromin Lubricating Oil Refining Co—LUBREF	Petromin 70% Mobil 30%	Jeddah	Contract for expansion signed July 1982	Engineering and construction of expansion by Badger	Original plant completed in mid-1970s	Officially at government selling price, but in practice less	Original plant has capacity of 3,800 b/d of lube oil, expansion will take capacity to 4,400 b/d. Output is for domestic market

Table compiled by Michael Field.

MAJOR PETROCHEMICALS PROJECTS

	Shareholders	Location	Signature date	Contractor	Likely cost	Completion date	Feedstock	Cost of feedstock	Products tonnes/year	Marketing
Saudi Methanol Co. Known as *Ar Razi* after scientist of ninth century	SABIC 50% and *Japanese* consortium headed by Mitsubishi Gas 50%	*Jubail*	*November 1979*	*Mitsubishi Heavy Industries*	*$300m*	*Now beginning* production	*Methane*	*Base price is 50c per million* BTU. Gas supplier, Petromin, then gets 50% of profits after profits reach 25% return on equity	*Methanol 600,000*	*About 80% to be sold by* Japanese, rest by SABIC
National Methanol Company known as Ibn Sina after doctor of ninth century	SABIC 50% and Celanese and Texas Eastern of U.S. 50%	Jubail	February 1981	Engineering by Davy-Power Gas. Main contractor C. F. Braun	$400m	1985. Design engineering now nearly complete. Construction in very early stage	Methane	Base price is 50c per BTUm. Gas supplier, Petromin, then gets 50% of profits after they reach 25% return on equity	Methanol 650,000	About 80% of output to be sold by American partners
Saudi Yanbu Petrochemical Company (YANPET)	SABIC 50% Mobil 50%	Yanbu	April 1980	Bechtel	$2.5bn	1985	Ethane	Base price is 50c per BTUm. Gas supplier, Petromin, then gets 50% of profits after they reach 25% return on equity	Ethylene 450,000; Ethylene glycol 200,000; low density polyethylene 200,000; high density polyethylene 90,000	Most products will be sold by Mobil
Saudi Petrochemical Company known as Sadaf, meaning Shell	SABIC 50% Pecten (owned by Shell Oil) 50%	Jubail	September 1980	Engineering by three companies—Badger, Braun and Dravo. Main contractor: Fluor	$2.8bn	1985	Ethane Benzene Salt	Base price for ethane is 50c per BTUm. Gas supplier, Petromin, then gets 50% of profits after they reach 25% return on equity	Ethylene 660,000; Styrene 300,000; crude industrial ethanol 280,000; Ethylene dichloride 450,000; caustic soda 380,000	Most output will be sold by Shell
Jubail Petrochemical Company known as Kemya, meaning chemical	SABIC 50% Exxon 50%	Jubail	April 1980	Project managed by Fluor	$1.1bn	1985	Ethylene —from Sadaf	Related to cost of Sadaf's ethane, plus operating costs and a profit for Sadaf	Low density polyethylene 260,000	Most output, other than amounts absorbed by downstream projects in Saudi Arabia, will be sold by Exxon
Arabian Petrochemical Company known as *Petrokemya, meaning* petrochemical	SABIC 100% Project was originally a 50-50 *Dow Chemical-SABIC enter*prise but Dow withdrew in December 1982	Jubail	May 1981 for venture with Dow. Entirely SABIC since December '82	Foster Wheeler ceased to be main contractor when Dow *withdrew. New construction* contract signed with Chiyoda in December 1982	$1.5bn	1985. Project is said not to have been delayed by *withdrawal of Dow*	Ethane	Base price is 50c per BTUm. Gas supplier, Petromin, then *gets 50% of profits after they* reach 25% return on equity	Ethylene 500,000; high and low density polyethylene 180,000	Most ethylene to be supplied to Sharq
Eastern Petrochemical Company known as Sharq, meaning East	SABIC 50%. Mitsubishi and Japanese consortium operating as Saudi Petrochemicals Development Company (SPDC) 50%	Jubail	May 1981	Chiyoda	$1.5bn	1985	Ethylene *from Petro*kemya and oxygen	Related to cost of Petro*kemya's ethane, plus operat*ing costs and a profit for Petrokemya	Linear low density poly*ethylene 130,000; Ethylene* glycol 300,000	Products will be sold mainly by *Japanese*

Projects under the authority of the Saudi Basic Industries Corporation (SABIC), which is owned by the Saudi Government. Most of the projects have natural gas as their main feedstock and most of the projects are aimed at export markets.

Period of rapid growth in light industry sector ends

"THE PLACE is dead," a banker in Riyadh said recently, with reference to the Saudi Industrial Development Fund. The staff of the Fund itself—which was established in the mid-1970s to make low interest loans to industry, are less dramatic in their announcements, but they readily admit that business in the past 18 months has been quiet.

As a matter of policy the Fund has said that it is no longer making loans for building materials for factories because it considers the market for the products of these factories is saturated. From circumstantial evidence it seems that SIDF has also stopped giving loans to cold stores, which were the subject of fairly intense investment activity in the latter part of 1981 and early 1982.

Much of the money disbursed by the Fund recently has gone to finance the various branches of the Saudi Consolidated Electricity Company, which has separate operations in the central, eastern, western and southern areas.

In many ways the Fund is a victim of its own success. Its offer of finance at 2 per cent to cover half of the cost of light manufacturing projects has been so attractive that in the six years between 1975 and 1981 virtually all of the obvious opportunities for private industrial investment in the kingdom were seized.

Furthermore, the great majority of industrial projects brought on stream in the later 1970s have been profitable.

The 600 projects which the Fund had backed by 1980 earned profits in that year of 10 per cent of their total revenues. Some of the biggest and/or most successful companies had revenue running to several tens of millions of dollars. In the following year, 1981, the hugely profitable Saudi Plastic Products Company (SAPPCO), which manufactures PVC pipe in Riyadh, turned over $82m and the Aluminium Products Company (ALUPCO) in Dammam had revenues of $35m. The Nissan mineral water bottling company turned over $10m and the Saudi Agricultural Development Company, which produces eggs in the Kharj oasis, about $13m.

Success

The basic requirements for success in manufacturing have been quite simple to identify. They are that plants should not be dependent on a highly skilled labour force, that their technology should not need too sophisticated maintenance or be vulnerable to the harsh environment, and that the goods they produce should be bulky and expensive to import.

Companies have done particularly well if they have had experience of marketing imported versions of their products before they have started manufacturing them. Virtually all companies have benefited in the past few years from the emergence of service and maintenance companies in the Kingdom. In the mid-1970s many had had to buy for themselves machinery which they needed to use only once a month and which in an industrialised country they would have hired.

Among the minority of firms that have done badly the reasons for failure have been varied—and interesting.

The most general causes of failure have been poor, unenergetic management and owners who have felt instinctively that once they have built their plants there has been no need for them to "waste" money on employing experienced staff. The desire to economise on staff costs and other operating costs is a very common feature of Arabian industrial (and agricultural) investors. In most cases the costs of repairs and replacements of machinery and the losses of sales far more than outweigh the savings of wages. In part the mentality has been induced by the government's policy of subsidising capital costs in industry and agriculture. This has made capital costs seem relatively unimportant and wage costs, which have to be born entirely by the entrepreneur, something to be minimised.

Another common cause of projects failing has been that partners have not begun with proper understanding of what their different roles would be, either in providing capital or management. In some cases members of the royal family or ex-ministers have taken the major role in arranging the SIDF loan, or loans and subsidies in the case of agricultural projects, and have then claimed that these funds represent their own capital contributions.

On other occasions the princes have promised to obtain some favour for their project but have failed to do so. Often they seem to have overestimated their own pull in the royal family or forgotten that at any given moment there are literally dozens of other princes competing for similar favours. When they have failed to deliver the promised favour they have normally found it simpler to defend themselves to their partner than to redouble their efforts.

Occasionally foreign or Saudi partners have tried to cheat each other by doing business "on the side." There have been instances of one or other partner importing materials in quantities greater than needed by the joint venture company and then selling the balance for their own benefit. If they have made a profit they have taken it; if they have made a loss they have put it in the books of the joint venture.

In the last three years both strong and weak managements have had to face several new external problems which have had nothing to do with their own intrinsic abilities. Interest payments on bank loans have become heavier for those companies that have borrowed commercially, and the Government has often been slow in making payments, both for contract work and supplies. There was a case in Qassim recently where the owner of a plant did not have the funds to pay his workers, who were Turkish. A minor riot ensued, in which machinery was broken.

In almost all cases where companies have encountered problems the results have not been bankruptcies. Manufacturers have stopped operations, paid back their loans and closed their plants. The fact that SIDF loans, and all other government loans to the private sector in Saudi Arabia, are made to the Saudi investors personally and not to their companies has meant that there has been little point in a firm going bankrupt. In effect the Government has prevented bankruptcies by refusing to recognise the principle of limited liability.

A few manufacturers recently have stopped operating their plants, without formally declaring them closed, and are waiting to see if they can win further orders. This is a practical policy when half of a company's capital has cost only 2 per cent.

The few examples of industrial companies failing have had almost no effect on the level of activity in the private industrial sector. The fact that there are now few new companies being launched and very little demand for SIDF loans is caused almost entirely by the lack of immediate easy opportunities for new investment.

Having built most of the factories that the kingdom needs for construction materials, food processing, furniture and simple plastic goods, as well as a large number of other relatively unsophisticated products, investors realise that the next generation of industries will be more complicated and more expensive. At present they are waiting to define what exactly the second generation of opportunities will be.

It seems that one category of the new plants will produce goods or services that will be needed by existing plants—either private sector light industries or the big process plants that are being built by the government at Yanbu and Jubail.

Another group will use products already being made in the kingdom to produce more sophisticated items. There will certainly be some development of advanced petrochemicals downstream from the basic petrochemical producing plants owned by the Saudi Basic Industries Corporation, Sabic. The advanced petrochemicals plants will be different from most existing private sector industries not only in their size and technology but in the fact that they will be geared to export markets and will presumably receive cheap raw materials and fuel. In one way or another their output will be heavily subsidised. The plants will be not so much private enterprises as Saudi Government sponsored joint-ventures between the state and the private sector.

Reduced

While they wait for the new types of opportunity to clarify, and for the petrochemical plants to come nearer to production, the Saudi private investors' hesitation has been increased by fears that the Saudi market as a whole is about to be greatly reduced by a downturn in Government spending.

Almost the only scope for further industrial investment of the traditional simple type may be in the Saudi provinces, where small plants can be geared to purely regional markets and agro-industrial plants can process food produced locally.

At present there are seven industrial estates operating, under construction or planned in provincial cities. Companies on these estates operate, or will operate, on the same terms as companies on the big estates of Jeddah, Riyadh and Dammam.

On all estates the Ministry of Industry provides roads, water and sewerage systems, electricity, telephone connections and an area on which investors can build housing for their workforces. The rent charged for land on the estate itself and in the workers' area is a nominal SR 0.08 per square metre per annum. Electricity costs SR 0.05 per kwh (compared with a price for domestic consumers of SR 0.07). To date no charge has been levied for water—but the Ministry of Industry is now intending to install water meters in factories, as a first step towards demanding a small payment.

Michael Field

The manufacturing estates

In official Saudi government terminology these estates are known as "industrial cities." This is the same expression as is used for Yanbu and Jubail, which are industrial areas on an altogether different scale. In practice the light manufacturing zones outside the big cities and the main provincial towns have more the appearance and character of estates than of cities.

RIYADH: Area already developed is 4.7m sq metres. A further 6.6m sq metres is now under development. In 1982 374 factories had been licensed for the estate, but not all of them had actually been established. (The same applied to licences given for the Jeddah and Dammam estates.)

JEDDAH: Area already developed 4.6m sq metres. A further 3.6m sq metres is under development. In 1982 licences had been granted for 260 factories.

DAMMAM: Area already developed 5.3m sq metres. A further 3.3m sq metres is under development. In 1982 licences had been granted for 245 factories.

QASSIM: Estate located between Onaizah and Buraidah. First phase completed with 0.6m sq metres, two further phases totalling 0.9m sq metres being developed. 26 factories licensed.

HASA: Estate located at Hofuf. First phase completed with 0.5m sq metres. Second and third phases totalling 1m sq metres under development. 8 factories licensed.

MECCA: Single phase covering 0.8m sq metres under construction, 25 factories licensed but not yet operational.

ASIR: Estate budgeted and at planning stage, to be sited between Khamis Mushait and Abha. The Governor of Asir, Prince Khaled Faisal, has already done much to develop the existing light industrial/workshop area outside Khamis Mushait, by putting in roads, etc, at the expense of the municipality. Small workshop areas—confusingly often referred to as estates—are a feature of all larger Saudi provincial towns.

MEDINA: Estate budgeted and at planning stage.

HAIL: Planning of estate by Ministry of Industry expected to begin later this year or next. Governor, Prince Muqrin bin Abdel-Aziz, has already reserved land for the estate. The only industry in Hail at present, a plastic bags and pvc pipe plant, is located in the town's workshop area. It plans to move to the industrial estate when it is developed.

TABUK: Planning of estate by Ministry of Industry expected to begin later this year or next.

NOTE: Areas under development in the estates of Riyadh, Jeddah and Dammam, and possibly in some of the provincial centres, may be reduced as a result of the fall in government revenues and the decline in private sector interest in industry. Development work on the extensions was scheduled to begin in 1982, and in no estate is it yet far advanced.

Ending of fuel subsidy deepens shipping gloom

SAUDI SHIPOWNERS were dealt a serious blow recently with the ending of subsidised bunkering fuel, previously supplied by the state-owned Petromin oil marketing company. The move, announced last December, came as a shock to the owners: a circular letter told them it would take effect immediately.

Saudi-flag vessels had previously paid as little as 8 per cent of the prevailing price, with variations according to cargo and area of operations. The letter provoked an outcry, with one owner of 30 vessels totalling over 700,000 dwt announcing that he would sell his fleet for scrap and go out of business. Others agreed that the move might drastically reduce the profitability, and eventually the number, of Saudi ships: contracts had been signed, based on the subsidised rate, for as much as two years ahead.

Meetings between shipowners and Mohammed Hamza Ajaj, managing director of Petromin's Jeddah oil refinery, which supplied the cheap fuel, resulted in a complex formula for ending the subsidy in six-month stages. For most vessels, this will mean *applying the full price from* June 1984; but ships carrying foodstuffs or other perishable goods will have to pay only 60 per cent of the full rate. Vessels operating within the Red Sea, most of which ferry livestock from Sudan, Djibouti and Somalia, were to pay only 30 per cent, but have now been included with the food carriers.

Negotiations

Some shipowners are not satisfied with the compromise and are still speaking of selling their vessels. Others are pinning their hopes on further negotiations before the full international price is imposed.

Extensive documentation will be required before reduced prices are allowed to any vessel. This reinforces suggestions that abuses of the Saudi flag were one of the causes of the decision to end the subsidy, although Ajaj himself said only that the end of spare capacity at the refinery, because of increased demand from water desalination plants, had made the move necessary. Mohammed Orri, chairman of Saudi International Shipping, claimed that some Saudis, unconnected with shipping, have registered vessels for the benefit of foreign owners wishing to claim the subsidy. He announced his readiness to serve on a committee to investigate abuses, but there has so far been no response from the authorities.

Foreign ships serving Saudi Arabia will indirectly benefit from the ending of the subsidy, *but the world recession has hit* the whole industry. So far, as much cargo as ever is coming to the kingdom (31m tonnes was imported in 1981), but too many ships, having lost their usual business elsewhere, are competing for the Saudi market. Rates are no more than half their peak level of seven years ago. The recent oil price cuts, while giving some relief in running costs, may mean in the medium term that cargo imports will fall as development slows down.

The National Shipping Company of Saudi Arabia was formed as a serious attempt to move into container shipping, which brings in most of the kingdom's imports. Its target, which must be seen as a long-term aim, is to raise the share of imports carried by Saudi-flag shipping to 20 per cent, from an estimated 3 per cent now. NSCSA began with two 23,000 dwt 1,250 TEU container ships sailing between the U.S. and the kingdom: it has recently taken delivery of the first of four new vessels from Kockum AB of Sweden. At 38,500 dwt and 2,000 TEU, they will be the world's largest ro-ro ships, and will operate a Far Eastern service. A North European route is planned for the end of 1983.

Crews on NSCSA's ships are British, Swedish and Sierra Leonean, but the fourth of the new vessels will have extra accommodation for 28 Saudi cadets with classrooms and a conference area. Few Saudis now work on any Saudi-flag ships.

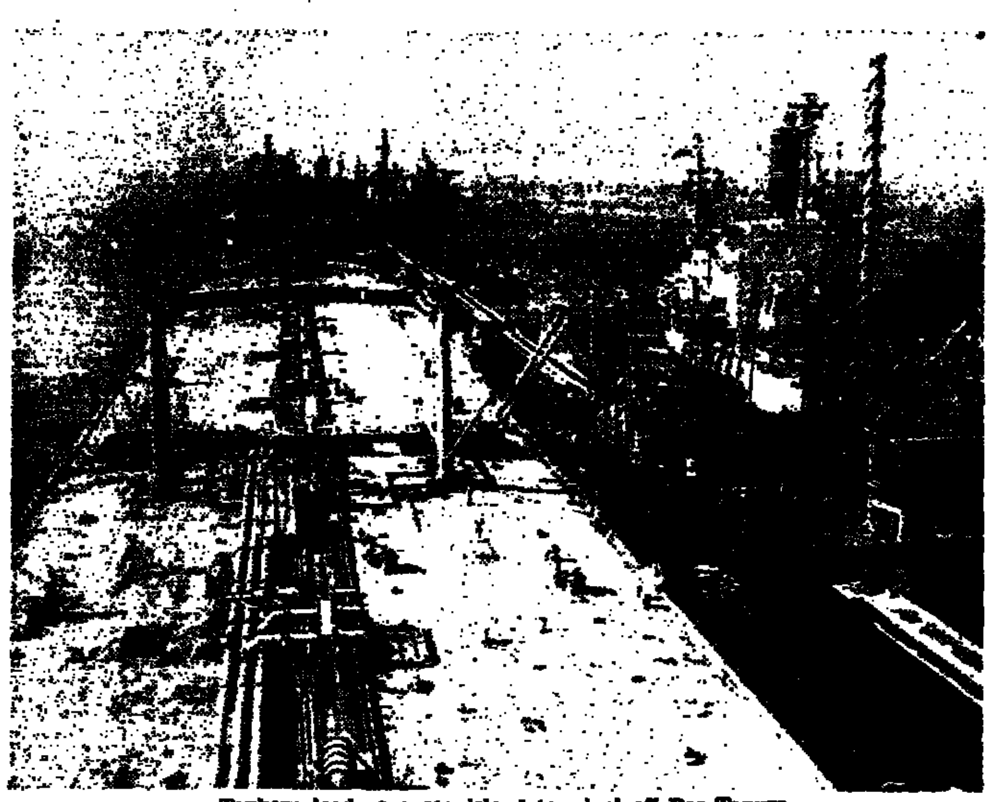
Dr Abdulaziz Al-Turki, NSCSA's managing director, wants to compete freely in the market without protectionism and to become part of the international shipping community by joining conferences of lines. He praises the support the company has received from Saudi importers, the Government, the armed forces and Aramco. The Government now owns 25 per cent of the shares: last year authorisation was given for an increase in the share capital from SR 500m to SR 2bn, and *the Government's holding is* expected to rise as the capital is gradually taken up. Some board members are believed to be unhappy about the increase in public ownership, and certainly Dr Al-Turki would like more investment from the private sector. But, with firm financial support and the most modern ships and equipment, *NSCSA should be well placed* to take advantage of the recession's end when it comes.

Efficiency

Saudi Arabia's ports are commonly acknowledged to be among the best equipped, most efficient and cleanest in the world, although only a few years ago 200 vessels queued outside Jeddah while helicopters unloaded desperately-needed cement. The Saudi Ports Authority under Dr Fayez Badr carried out a massive modernisation and expansion programme: the kingdom's ports now have a total of 124 berths and waiting is unknown. The usual occupancy rate is 70 per cent, with the remaining capacity in reserve for times of peak demand.

Jeddah port alone handled 49,000 containers in March this year, and LCL handling has been introduced at Jeddah and at Riyadh's inland container terminal. Dr Badr believes that too many containers come into the kingdom, especially since all must be returned empty (although NSCSA hopes to export petrochemical products in containers within a few years). Last year containerisation of certain goods was banned and palletisation was ordered: electronic scanners may also be used in future to speed up the rigorous customs examination applied to all imports.

Andrew Craig



Tankers load at a sea island terminal off Ras Tanura

Construction equipment suppliers feel the pinch

WITH THE Saudi economy heading for a major cyclical downturn, the pinch is starting to be felt by construction equipment suppliers after more than three years of unprecedented expansion. Though still one of the largest in the world, the Saudi equipment market will contract significantly in 1983.

The recession has come at a particularly sensitive time. Intense competition has pushed prices in all sectors to rock-bottom levels and many suppliers are operating in the kingdom on the assumption deficiencies in profit markins will be made up for in higher sales volumes. The could be in for a nasty shock.

Sales growth since 1978 has been dramatic in most sectors. Demand has been particularly strong for excavators, mobile cranes, and loaders. The biggest markets, by the number of units sold, would match anything anywhere in the world.

In 1982, probably the peak-year for construction equipment sales, more than 2,000 wheeled loaders, over 1,000 crawler dozers, about 1,000 mobile cranes and approaching 1,500 crawler excavators were delivered to customers in the kingdom.

Almost 100 brands are marketed though less than a handful dominate each market sector. Caterpillar of the U.S. leads the wheeled loader market with about 40 per cent of total sales by the start of 1982, followed by Furukawa and Komatsu, both of Japan.

The positions are reversed in the crawler dozer market, with Komatsu taking the largest share, closely followed by Caterpillar. Demand in this sector has been helped by rising investment in equipment for larger Saudi agricultural projects.

Grove of the U.S. has built a marginal lead in the mobile crane market helped by demand from state-owned Aramco. It is followed by P & H and Tadano, each only a couple of percentage points behind Grove's 20 per cent-plus share.

Crawler excavators is a particularly important sector because of the enormous volume of pipelaying work being done in towns and cities. Overall leader is France's Poclain, but Mitsubishi and Kobelco have pushed up sales and now probably account for more than 10 per cent of the total apiece.

In all sectors, traditional European and U.S. leads have been eroded by the Japanese, aggressive new entrants in to the market during the 1970s. In most cases, the contest is two-sided — between U.S. and Japanese equipment manufacture.

Necessary

To penetrate effectively Saudi equipment markets, it is necessary for exporters to be represented in the kingdom by a well-established trading company. But this is far from being sufficient: agents must have the experience to market construction equipment effectively throughout the kingdom and be able to provide parts and service support to customers.

The largest construction equipment specialist is Jeddah's Zahid Tractor and Heavy Equipment Machinery Company, agent for Caterpillar. It has, by far, the largest number of staff, and among the most extensive branch networks. Zahid is one of the oldest established equipment distributors and continues to set high standards in business efficiency.

Arabian Auto Agency (AAA), agent for Poclain; A. S. Bugshan and Brothers, agent for Komatsu; Express Contracting and Trading, representing John Deere and others, and International Harvester's agent General Contracting Company (GCC) are all medium-sized companies with susbtantial staffs and a range of agencies. All have specialised in the equipment market.

A proportion of sales has been done directly between the end user and the manufacturer. The attractions to a potential customer include avoiding agency fees. But the practice may soon come to an end. In the course of 1982, the Commerce Ministry reaffirmed earlier rulings that all state agencies should only do business with Saudi agents. The objective is to improve spares and repairs services and support local companies.

This kind of protection for the agents will be insufficient to cushion the market as a whole from the demand downturn. More than cyclical factors are at work—*totally* free entry to the Saudi market has led to intense competition among suppliers and discounts on listed prices of up to 25 per cent. In addition, margins have been squeezed because of greater cost-consciousness among customers—most of them contractors facing equally harsh competitive pressures in their own markets.

The squeeze on the contracting market also forced construction companies to take more interest in maintaining and repairing equipment rather than writing it off over the lifetime of an individual contract only. This, plus increasing volumes of secondhand sales, has cut into demand for new equipment, with the result that the market had started to pass its peak well before the oil revenue slump really began to affect the Saudi economy.

In a major survey of the market published in 1982, the Economist Intelligence Unit forecast demand in all but one sector would fall significantly between 1982 and 1986. Its prediction that demand in 1983 could fall up to 20 per cent must now be considered to be fairly optimistic following recent developments in government income and revenues.

This trend could have an impact beyond the confines of the Saudi construction equipment market. The combination of depression in industrialised countries and boom in the kingdom created an unusually conducive environment for Saudi investment in construction equipment markets since 1979. Three cases of such investment taking place have been identified, and more were expected in the 1980s—that is before the recession really began to bite in the Middle East as well.

The most celebrated of the three occurred in 1982 with the acquisition by Dallah Contracting and Trading Establishment of DM 90m worth of shares in West Germany's IBH. This was quickly followed by a major agreement between IBH and its Saudi agent Beta Company.

It called for a substantial expansion in support facilities for *IBH equipment which was to be* widened to include Terex and Hanomag, formally a Massey Ferguson brand.

Package

Much less aggressive was AAA's decision at the start of the year to take a minority stake in Poclain. This was less specifically aimed at promoting the French company in the kingdom, and formed part of a loan and capital injection package. However, it is one of the most important investments by a Saudi in a leading French manufacturer.

In the third case, EA Juffali and Brothers group—a leading Saudi company which has not taken particular interest in construction equipment — bought $10m worth of convertible subordinated debentures in Barber-Greene of the U.S.

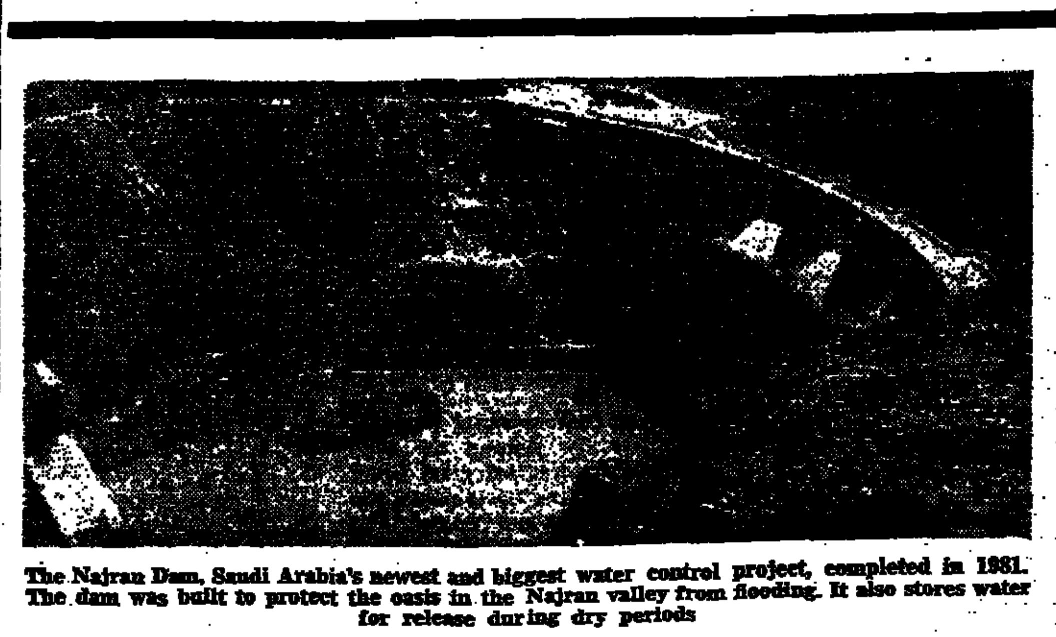
It is represented in the kingdom by Juffali and is the leading supplier of asphalt finishing and crusher equipment. Again, the arrangement, made in 1981, appears to have been essentially an investment for the Saudi partner and has not had visible impact upon Saudi markets.

The three investments suggested interest was growing in the private sector in investing in foreign equipment manufacturers that were making money *out of the Saudi Arabian* construction boom.

Some analysts believed they presaged even more ambitious equity buy-ups, and the possibility that Saudi money might be put into troubled giants like IH was not being ruled out.

The construction downturn, however, will probably mean that returns on supplying the *kingdom will sink to world* levels. With equipment demand expected to decline closer to normal levels anyway, the attractions of putting money into foreign manufacturers with leading shares of Saudi equipment markets are rapidly fading.

Edmund O'Sullivan



The Najran Dam, Saudi Arabia's newest and biggest water control project, completed in 1981. The dam was built to protect the oasis in the Najran valley from flooding. It also stores water for release during dry periods

New emphasis placed on provincial development

WHEN THE Saudi Government in the next few months decides which development projects it will cancel or postpone indefinitely it will try to avoid abandoning schemes which will directly affect the welfare of its subjects in the provinces. If possible it will continue work on small provincial hospitals, schools, agricultural feeder roads, new village housing, water supplies and telephone connections.

Projects of this type absorb relatively small amounts of funds and they are important politically. The people they affect include the Saud family's staunchest supporters, the townsmen, villagers and bedouin of central Arabia.

The new emphasis on provincial development is not the outcome of any formal regional economic plan. By the time the third national plan, for 1980-85, was drawn up it had become clear that the development of the provinces had become a Government priority—though in a typically Saudi way nobody ever said this openly. The former Deputy Minister of Planning, Faisal Bashir, recently remarked that "in Saudi Arabia there is no definite plan for anything—one senses things and things move in a certain direction."

The provincial emphasis of the third plan is apparent only in the fact that it contains many more provincial projects than its predecessor did. In practice, since the plan came into operation the Government has launched many more provincial projects than were listed in the document. This disregard for the letter of the plan, which again is a typically Saudi phenomenon, has been caused by the unexpected private sector enthusiasm for agricultural investment. This has forced the Government to build vast mileage of agricultural feeder roads.

Under the new regime of more cautious Government spending the main stimuli of provincial economic development will be as follows: continued careful central Government disbursements for infrastructural projects: municipality spending on the development of towns; the building of provincial industrial estates; the construction of military bases; and private sector investment in agriculture.

The development of military cantonments in the past has had a huge impact on the growth of provincial towns. Tabuk and Khamis Mushait owe their present prosperity far more to military spending than to any other single factor. The town of *Sharaorah in the Empty Quarter* has been almost entirely created by the military, and the army and air force have had a smaller but significant impact on Najran, Taif, Kharj, Medina and Taima. A city which under existing plans is about to be created from scratch by the army is at Wadi Batn, in the north-east of the Kingdom.

It may now be that the development of military cities will be scaled down or will proceed more slowly than before. Locations affected if this happens will be Tabuk and Khamis Mushait, where there are plans to expand greatly the existing facilities, and Hafr al Batn, where the new base in the form envisaged at present would cost $7bn.

Military spending is somewhat exceptional in the provincial development context in that it is one area of Government activity in which it would be possible to make really big savings by postponing individual projects.

Susceptible

Agricultural development is not very susceptible to cuts in Government spending, partly because the main initiative in this area lies with private entrepreneurs and partly because the Government sees it as a good way of pumping money directly into the hands of its subjects.

The transfer of funds from state to individuals via agricultural development is achieved through a vast array of subsidies, support prices and interest free loans.

In fact it seems likely that investment in new wheat production projects is on the point of falling, simply because the country is approaching self-sufficiency. It is assumed that the Government will not want, in effect, to subsidise wheat exports and that it will soon stop granting land for new projects.

The main areas of new agricultural activity in the next three or four years will be in the production of fresh milk, in which the kingdom is only 10 per cent self-sufficient, and chickens, where Saudi farmers meet about 30 per cent of demand. Saudi production of chickens in 1982 ran to 80m birds, but the population devoured 270m birds—which worked out at 35 per head.

Other types of farming which seem set to expand are red meat production and fruit and vegetable growing. Many of the new fruit and vegetable projects being discussed in the provinces are associated with plans for storage and processing facilities.

The Government's spending on infrastructure and the development of agriculture have together had an important effect *in stimulating provincial trading companies.*

In the past most provincial merchant establishments bought entirely from importers or wholesalers in Jeddah, Riyadh, Dammam or Kuwait. Now the more enterprising traders are signing distribution agreements with importers or are dealing directly with exporters. They either buy from exporters' representatives visiting the provinces or they go to Europe and place their orders there.

A handful of provincial merchants have taken direct regional agencies from European manufacturers. A company that has several provincial agents in Saudi Arabia is the German agricultural machinery firm, Hudig.

The growing prosperity of the provincial private sector is beginning to create a demand for contracting services on the part of clients within the provinces. This is in contrast to most of the infrastructural building work carried out in the provinces so far, which has been done under *contracts let by central government* ministries in Riyadh.

Private sector projects in the provinces are for minor industrial and agricultural processing plants, hotels, office and apartment blocks, bank offices, and small housing compounds for foreign workers. To these projects can be added those being built by the provincial authorities, which include town streets and lighting, sewerage systems, water supply, water recovery and purification schemes, various municipal and governorate buildings and some housing.

A few years ago it was not worthwhile for Western contractors to maintain any marketing presence at all in the provinces, but recently a few have begun to employ local contract spotting agents.

Contractors should not assume, however, that there will be a trend towards all provincial contracts being awarded in provincial centres. The governors of the provinces, all of whom are extremely powerful and many of whom are brothers of the King, can promote ideas for projects and have the *implementation of projects* accelerated. But they have no influence whatever over who gets contracts when the contracts come under the authority of ministries in Riyadh.

A report on Saudi Provincial Development by Michael Field, who wrote this article, is to be published in May by the Committee for Middle East Trade (COMET), 33 Bury Street, London W1.

A town governor's morning

GOVERNMENT AND business in Saudi Arabia are extremely personal affairs. In the provinces the influence of personalities, and particularly the influence of the province and town governors, is even more important than it is in the big cities. Exporters and contractors who go to the provinces are quite likely to find themselves calling on the offices or majles (council chambers) of the governors, either for courtesy reasons or because they need their help in some matter. Issues that a contractor might bring before a governor are land disputes and requests for visa renewals.

The style of *government* in the provinces is illustrated in rather graphic and human terms by two cases which came before Mohammad Hamad Sulaim, the governor of the town of Onaizah in Qassim province, in February this year. The governor, who until a few months before had been the headmaster of a secondary school in Riyadh, described the cases late in the morning on which they had occurred.

The first problem involved a land dispute, caused by a man digging a well, without a *permit from the local office* of the Ministry of Agriculture, on land which a neighbour said belonged to him. The governor did not make an immediate decision on the issue, but decided to look into the matter further during the afternoon and the rest of the week.

The second incident involved a motor accident which had occurred at 4.30 that morning. It had resulted in the death of one of the drivers. The police had been to the scene of the accident, had worked out how it had happened and had concluded that it had been the dead man who had been to blame.

By the time the matter came to the governor's attention the other driver had been put in prison pending discussion of the incident at a higher level and a decision on whether or not blood money was to be paid.

Soon after the governor had had the news two lady relatives of the imprisoned man came to his office and promptly burst into tears. This, the governor explained, was quite a common occurance and one which *never* failed to cause him anxiety.

On this occasion, however, he told the ladies that their relative must stay in prison until the issues of blame and blood money had been resolved.

Then representatives of the family of the dead man arrived. They said that the death of their member must have been God's will, and added that they would not demand any money and that the driver could be released. The governor got them to put this in writing for him and *for the police, and then sent* them to make a statement in front of the Qadi, the judge of the town, saying that they would not demand blood money at any time in the future.

By 10 am the entire matter had been settled and the innocent driver was free. The episode says much for the speed with which government (and business matters) can be transacted in a provincial town.

The state's aid for farmers

The following is a full list of grants, loans and support prices available to Saudi farmers.

Land acquisition—free on approval of project, from Ministry of Agriculture and Water (MOAW). In cases of joint-ventures land is given to the Saudi partner, not to the joint company.

Poultry equipment—subsidy of 30 per cent of cif price, or 20 per cent of cif price if project is benefiting from Saudi Arabian Agricultural Bank (SAAB) loan. Subsidy given via SAAB, which draws its subsidy funds from the Ministry of Finance.

Dairy equipment—same subsidy terms as for poultry farms.

Agricultural machinery and equipment—subsidy of 50 per cent cif price of engines and pumps and 40 per cent of price of other equipment, such as ploughs. (Centre pivot irrigation systems do not qualify for a subsidy under this heading—or any other heading.) Subsidy paid by SAAB.

Agricultural loans—for investment and working capital, from SAAB. Most loans run up to 10 years; repayment of land reclamation loans is spread over a longer period. Loans may be up to SR 20m and/or 50 per cent of the cost of projects. All loans are interest free. There is a two-year grace period before repayments start.

Most loans are given according to fixed scales, involving for dairy projects, for example, a set number of riyals per cow. *In the case of joint-ventures* loans are not given to the joint company itself, but to the Saudi partner personally. The Saudi must give his own guarantee of repayment.

Agro-industrial loans—for investment capital. Loans cover up to 50 per cent of capital costs and carry a 2 per cent service charge. Loans are given by the Saudi Industrial Development Fund (SIDF).

Transport of milk cows—SAAB will pay all the cost of air freight for milking cows, provided that there are at least 50 cows in a consignment.

Seed potatoes—MOAW will pay for 5 tonnes of seed potatoes cif. It then gives a subsidy of SR 1,000 per tonne up to 15 tonnes.

Date palms—MOAW gives a subsidy of SR 50 per tree if at least 30 trees are being planted.

Chemical fertilisers—MOAW gives a subsidy of 50 per cent of the cif price to the merchant importer/seller, provided that he is abiding by MOAW stipulated prices in his sales.

Pesticides — MOAW gives 100 per cent subsidy.

Animal feeds—SAAB gives 50 per cent subsidy on cif price.

Wheat buying price—SR 3.50 per kilo by Grain Silos and Flour Mills Organisation (GSFMO). (The wheat buying price is equivalent to about $1,000 per tonne, which compares with a *cif price for wheat* at Jeddah of about $200 per tonne and a maximum Saudi production cost of about $430 per tonne.)

Production subsidies on grains and dates—paid by MOAW. Rice SR 0.30 per kg; maize, sorghum and dates SR 0.25 per kg; barley and millet SR 0.15 per kg.

The kingdom's contracting market is still one of the world's biggest but the number of contracts is declining, says **Randall E. Palmer**

Margins squeezed as big spending ends

NORMALLY CAUTIOUS Japanese companies last autumn announced they expected to sign a $390m contract for a desalination plant on the Red Sea by the end of 1982. It still has not been signed.

Meanwhile, tenders for a companion $900m desalination/power plant for the Asir were cancelled altogether, and new tenders will reflect a reduced scale. Sources said the ultimate cause of both was the decrease in government revenues.

Saudi leaders have eloquently played down the effect of lower revenues. Hisham Nazer, planning minister, for example, has repeatedly said that the cuts will not affect the third development plan (1980-85), which he says was based on a production of 5m barrels of oil per day at $18 per barrel.

Nevertheless, he said a number of projects that had been advanced from the fourth plan will now be pushed back again.

Certain areas are more expendable than others, however. One of the biggest new projects being bid now, for example, is the King Faisal Air Force Academy to be built at Al Kharj, 50 miles south of Riyadh. (Nevertheless, the defence budget did face a cut of roughly 18 per cent to $16.7bn (SR 54.8bn).

Spending on the Saudi Arabian National Guard (SANG) is also continuing strongly. In fact, the $1.25bn in contracts awarded over the winter were probably the most spectacular of the season. In December and January, it awarded $887m of jobs for public buildings to complement housing at virtually self-sufficient SANG cities at Jeddah, Taif, Dammam, Hofuf and Khashm Al-Aan (near Riyadh).

Security protection

Then in March, South Korea's Keang Nam Enterprises picked up a $363m contract for public buildings and housing at a completely new SANG city to be built at Dirab, also near Riyadh.

The Ministry of Interior, likewise, awarded one set of contracts last year worth $1bn for internal security forces housing around the Kingdom, and is planning another set of contracts soon, probably for a smaller total.

But the emphasis is shifting to operating rather than erecting new facilities.

The Ministry of Health, for instance, took bids for 12 hospitals last autumn, but few if any of the bidders have been called in to negotiate. And companies are still clarifying their bids, more than a year after submitting them, for a 1,350-bed hospital complex to be built in Riyadh, which may cost $600m. Instead, there will be an emphasis in the ministry on training of hospital manpower, and running the hospitals, said Al-Zamil.

Other projects or sectors are almost certain to go ahead, because of other commitments or government priorities. King Fahd has said that Riyadh's new diplomatic quarter must be ready for embassies by September 1984. Contracts worth $300m have been awarded, and many more superstructure contracts are expected in the next few months.

Officials indicate that too much hinges on the heavy petrochemical industries to slow down the ones under construction. Even on the Petrokemya ethylene plant in Jubail, from which Dow Chemical announced its withdrawal in December, the Saudi Basic Industries Corporation (Sabic) signed an agreement only weeks later with Japan's Chiyoda Chemical Engineering and Construction Co to design and build the plant, and work is progressing.

Nevertheless, Sabic could easily delay the choice of contractors on several other projects for which it has plans.

Another project likely to go ahead is the Eastern Province International Airport (EPIA). Taiwan's BES Engineering Corporation has begun site preparation northwest of Dhahran under a $15.4m (SR53m) contract.

The project manager for Riyadh's new airport, Arabian Bechtel Company, widely tipped to get the EPIA also, has already done extensive design work on it, but there has been no report yet of a contract signing.

Recently the bids for a related project were cancelled, a new international terminal at the existing Dhahran International Airport, which was to have handled traffic for the few years until the EPIA could be completed. A low bid of $40m (SR 137.5m) was received in December.

Contract awards slowed down well before the April 13 budget. The Ministry of Finance said spending during the 1982-83 fiscal year was 22.5 per cent below the budgeted $90.8bn (SR 313.4bn). A vice-president in a Riyadh-based bank said that since November, business with contractors has been very slow.

Ironicaly, though, "we have more than we can chew," he said, explaining that the bank is very busy putting together guarantees for bids even though the bids are often not materialising into contracts.

Many contractors are still very busy on current jobs, said another senior Riyadh banker. "For two and a half years now," he said, the Saudis "have been laying on contracts like nobody's business."

Nevertheless, the companies have had to fight hard to win new jobs. "Firms are getting really desperate for new business in Saudi Arabia," asserted the manager in Saudi Arabia for a British cable manufacturer. He said companies slice margins to become low bidders, and when they are called in to discuss the contract, "they're prepared to cut their low bid even further," with the possibility that they "might just collapse down the road."

Competition

Competition has been made tighter by the fact that Saudis have been accorded protection from their Government in two recent decrees (see the article on contracts), and also by the fact that project sizes have been cut down when possible to allow smaller Saudi companies to bid.

The South Koreans and Turks fiercely added to the competition, strongly increasing their contract volumes in 1982. After an increase in 1981 to $6bn from $5bn the year before, many did not expect the Koreans to continue to rise in a market that was not growing in size but that was becoming technologically more difficult.

But the Seoul Government estimates the volume of new contracts rose to more than $8bn last year. One of the reasons was the return to the market—after being banned for two years for bribery — of Hyundai Engineering and Construction Company, South Korea's giant and most sophisticated contractor.

The marketing manager for a major Dutch contractor said his company's experience in the past year can easily be summed up: "We've been beaten by Hyundai."

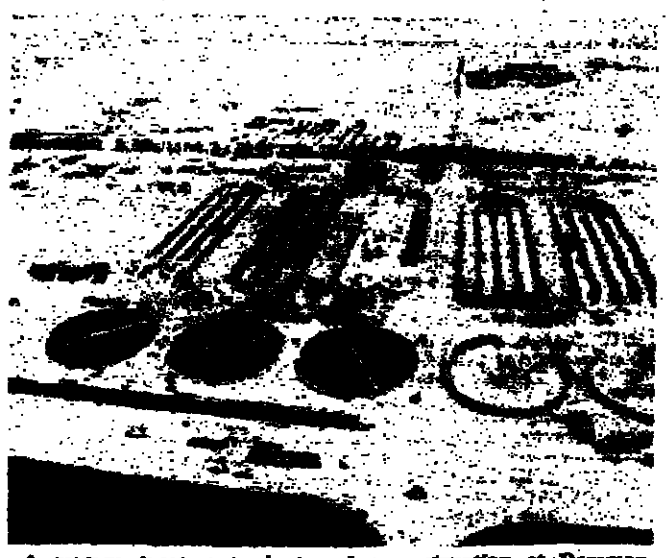
A senior official at the Korean embassy in Jeddah noted, however, that "profitability is a problem." A knowledgeable estimator for a major British firm concurred: "I am adamant the Koreans lose money. I think in a lot of cases they don't understand the documents."

He also contended they take a loss on jobs to get into the market, and then get new jobs to use the advance payments to pay off bad debts. But he stated, "I think the days of dumping by the Koreans are gone now. They can't afford it." A Saudi supplier agreed, saying the Koreans are becoming very cautious.

The Korean embassy official, however, expecting fewer jobs this year, predicted the Koreans would have to bid even more aggressively than before. He said they will have to try to overcame the effects of a lower budget, and also the decree requiring foreign contractors to subcontract 30 per cent of their work to Saudis.

That decree will affect the Koreans because they are the Saudi's strongest competitors in civil work—the part of a project most likely to be subcontracted.

Randall E. Palmer is a business reporter on the Saudi Gazette, a Jeddah-based daily.



A sewage treatment plant under construction at Dammam earlier this year. The contractor is Simon-Hartley of Staffordshire, England.

Local companies receiving help

WITH THE Saudi Government tightening its belt, local contractors as well will be forced to slim down. But the authorities are doing their best to protect the Saudis from being squeezed too hard.

The most drastic protection came via two decrees from King Fahad in February and March. One compels foreign contractors to subcontract at least 30 per cent of the value of each government job to 100-per cent Saudi-owned contractors, and requires all contractors to use Saudi companies for several services and for importing.

Dr Abdul Rahman Al-Zamil deputy Minister of Commerce, explained the Government's reasoning: "The basic issue that we have noticed is that foreign contractors tend to give their subcontracts to other foreign contractors, especially for their own nationals . . . but they should not prevent Saudis from bidding on the same subcontract." He noted the Government wants to build strong Saudi companies, not just projects.

Many contractors said it would be difficult to pass on 30 per cent of some jobs, especially those requiring high technology. Dr Al-Zamil conceded that there might be "minor exceptions" in "special, extremely special cases," but emphasised that the resolution itself makes "absolutely no exceptions."

Advertised

The other decree requires that all government projects be publicly bid and advertised in the papers, thus ending the era of invitation and negotiation.

All companies and joint ventures can now bid, provided they have been classified by the Ministry of Public Works and Housing as capable contractors for that type and size of job. Dr Al-Zamil said the bidding would be limited exclusively to those on that list, thus doing away in most cases with the need for each agency or ministry of prequalify contractors. (While prequalification may eventually fade, it was interesting in April, after the decrees, to note an invitation to contractors to prequalify from the bureau in charge of building the new diplomatic quarter in Riyadh.)

Dr Al-Zamil said that more than 200 foreign contractors are already on the classification list, but he maintains that one of the effects of the decree will be to help Saudis win jobs, the other effect being even sharper competition and lower prices.

"There will be at least 20 to 25 competitors, and with such competition, prices will be killing, and good. Saudis can meet that competition." The deputy minister contended that Saudi companies, usually smaller, often would not hear of jobs, and often were not invited to bid because they may have been somwhat less qualified.

"The decision was taken away from a minister or a deputy minister to say, 'This Saudi or this has no right to bid; I don't want to invite them," he said. Now, once a company is classified, it will compete strictly on price, though Dr Al-Zamil said a minister still could exclude all foreigners from a bid.

"The Government chose to open bidding now because the country no longer needs to build as fast and make quick decisions on contract awards," he said. "We have built almost all our infrastructure. Everything has been achieved."

And during that time, the capability of Saudi companies has developed so they "can handle a lot of work," Dr Al-Zamil said. "This is a clear certificate of confidence from the top man in the country."

Both Saudi and foreign companies said they welcome the resolution. An Australian contracts manager of a Saudi firm with SR 40m to SR 50m ($12m to $15m) in defence contracts each year, commented: "If it's implemented, it'll be a very good regulation. The key word is 'if.' It'll clear the contracting game a lot, and it'll help those Saudi companies which don't have the political clout."

The decree indicates few exceptions will be made, stating, "We have noticed that some officials surpass regulations and instructions, and then ask for permission, so that most activities of the Council of Ministers have come to resolve around authorising their transgressions."

The Government also encourages contracts in small enough bites for fledgling companies. Ministers "should not throw everything into packages," asserted Dr Al-Zamil.

Businessmen report that while there have been very few big contracts in the past several months, the stream of small ones has continued. Desalination plants and airports are delayed, but at least some sewage and road contracts continue to be awarded.

With Government protection, some Saudi companies will undoubtedly flourish, taking a larger share of a smaller pie, indicated Dr Al-Zamil. But only "the fittest will survive," he said.

They have had to battle stiff competition already, not only from foreigners, but now from fellow Saudis. "The Saudi firms used to leave each other alone and were easy-going," said a Western diplomat, "but now there is fierce competition among them."

And with a Government spending slowdown in the past several months, many are facing liquidity problems. "The biggest problem is with payments," said a Saudi supplier in Riyadh. Several bankers, suppliers and contractors have said that advance payments and progress payments have been delayed.

"Since Haj (October), they've always been complaining about payments from ministries," said a finance manager for a major supplier.

Other contractors have said they have not seen abnormal payment delays. Deputy Minister Al-Zamil, who also chairs the Saudi Consolidated Electric Company for the southern region, said he was surprised at any reports of payment difficulties.

"There are a lot of problems of contractors fulfilling their commitments, or there is some delay because of documentation or some other things. Show me one contractor who has really done his work and has the approval of the ministry, for which the Ministry of Finance has stopped payment."

The Saudi supplier noted, however, that while some agencies and ministries may be continuing as normal, "definitely some" have slowed down.

Furthermore, last April the maximum advance payment on Government contracts was halved to 10 per cent, causing additional cash-flow problems for some companies, although cases are still being reported of 20-per cent payments made to Saudi companies.

Liquidity

"The liquidity problem for most contractors," said the financial manager for one of the Kingdom's largest construction firms, "is that fixed assets were financed short-term or through advance payments. These assets will have to be matched with long-term financing." But he complained that long- and medium-term financing in riyals is scarce.

"If they can't get financing, it could be quite a problem in paying their debts," said the Riyadh financial controller for a major Jeddah trading house. In fact, his company has begun concentrating more on receivables, rather than on "selling, selling, selling," he said.

In addition to getting new financing, companies will have to become more efficient. He said the charges will have to occur in the "old-style company," which had "plenty of money and the sponsor going abroad and spending money left, right and centre."

He added, "After it's all finished, we should end up with good Saudi companies, if they weather the storm."

Dr Al-Zamil warned that the Government will not bail out any companies that do face financial problems. "The private sector has to take its risk, because 'we don't share its profit.'"

SAUDI ARABIA X

Industry

OPPORTUNITIES IN SERVICE INDUSTRIES

THE following list of opportunities in service industries is based on interviews in late 1982 and early 1983 with executives of Saudi government agencies and service companies already operating in the Kingdom.

INDUSTRIAL SAFETY: there are still oportunities for companies which can advise on and operate security and safety systems in factories. Areas of work mentioned are safety on production lines, fire protection and fire fighting.

WATER TREATMENT: the Saline Water Conversion Corporation is now doing its own maintenance work, but there are many other authorities involved in water treatment in Saudi Arabia.

There is considerable activity in the development of water supply and sewerage systems in the provinces. In some areas, including Tabuk and Asir, there are plans to supply towns inland with desalinated water pumped from the coasts, though these plans may be postponed now that the Government is short of revenues.

HOSPITAL MAINTENANCE: this is an area in which there are already several companies operating in Saudi Arabia, but the number of hospitals in the Kingdom is continually growing. In 1982-83 the Ministry of Health signed contracts for the construction of a further 26 hospitals.

Computers

ELECTRONIC DATA PROCESSING: Quite a large number of institutions in Saudi Arabia, including some of the big trading houses and government agencies, have invested in main frame computers. Although there are some computer software companies in Saudi Arabia, there are several cases of computers that are not being used because the owners have not found anyone to help them with the purchase of peripheral equipment and the design and operation of programs.

It is likely that the numbers of computers in Saudi Arabia will increase enormously in the near future. Buyers will be trading houses, which are now having to improve their after-sales and spare parts services in order to make themselves more competitive, and industrial companies of all sizes.

HELICOPTER AND LIGHT AIRCRAFT SERVICES: This is an area for companies to watch, although at present the Saudi authorities do not look with favour on private air transport operations. The Ministry of the Interior is concerned about the security aspect, and Saudi looks on small companies as competitors, even though it is so busy managing its huge fleet that it does not have time to run a helicopter operation.

Given the size of the country and the growing dispersal of development there is obviously an enormous market for private air services in the Kingdom.

AIR-CONDITIONING MAINTENANCE: There are already a number of air-conditioning maintenance companies within Saudi Arabia. but the demand for maintenance of both central systems and unit air-conditioners is so vast that there are said by consultants to be opportunities for new maintenance companies. Saudi Arabia is the world's second-biggest user of unit air-conditioners.

NOTE: an area of business in which the market in Saudi Arabia is now said to be temporarily full is operation and maintenance. A "shake-out" of O&M companies is predicted.

Specifically, the eight public cement companies are now in the process of setting up their own maintenance operations, as the Government's Saline Water Conversion Corporation has done, and it has been suggested that the Kingdom's dairy companies should do the same.

In the medium-term there will be renewed growth of the O&M market as Jubail and Yanbu become fully developed in the mid- and later-1980s.

Michael Field

Success for many Saudi service companies

Highly profitable sector

A FEATURE of Saudi government finance in recent years has been the steady rise in current, as opposed to development, spending. Not only have allocations for current expenditure been increased greatly in most budgets since the later 1970s, spending for current purposes has consistently overrun allocations.

Faced with reduced revenues the Government is now cutting its capital expenditure, which in the past has normally run below the levels projected, but it will find it difficult to reduce current disbursements. It may be able gradually to take steps to cut the vast subsidies it gives to consumers and to investors in property, industry and agriculture, but it cannot reduce the sums it spends on running its huge and opulent airports, ports, hospitals and universities.

One incidental result of this is that business opportunities related to service work in Saudi Arabia are still looking attractive, while the market for construction has deteriorated.

Competition

In the private sector likewise demand for services has recently been increasing while demand for contracting has declined. Investors in large apartment and office blocks and hotels, who traditionally were reluctant to spend any money on servicing their buildings, are now suddenly determined to maintain them in good order.

The change of heart has been prompted partly by increasing competition and partly by the extremely high quality of the fabric of some of the newest buildings. Having built what are unusually elegant and extravagant specimens of modern architecture, investors are anxious that they should continue to look magnificent.

They have also been impressed by well known cases of other investors having incurred huge capital expenses through having failed to spend sufficient money on maintenance of their buildings in the mid-and later-1970s. Several major buildings in Arabia have had to have their lifts replaced after only a few years of operation. The "Queen's" building in Jeddah had its entire central air-conditioning system break down only three years after it opened.

Further demand for services has come from the owners of industrial projects. Rather than incur extra capital and labour costs through developing their own machinery maintenance and cleaning operations, they have been anxious to contract out this work to other companies.

Many of the Saudi service companies launched in the past five years have been highly profitable — more profitable in some cases than successful industrial companies.

Saudi companies that own both service and industrial operations say that they have found their service markets less competitive than the industrial ones. Many simple industrial products are now made by several different companies in Saudi Arabia, and any new local product requiring relatively low technology and small amounts of capital is likely soon to be copied, if other businessmen see that its manufacturer is making money from it. One of the Olayan Financing Company's projects of the later 1970s, for a plant to manufacture water tanks of fibreglass reinforced polyester, now finds itself trying to keep its prices down so that it can resist large numbers of minor local competitors.

Service industries have the further advantage of being fairly resistant to competition from imports. In many businesses it is virtually impossible for an outside supplier of a service to compete with a supplier within the kingdom.

This means that the local company cannot be damaged by cyclical surpluses of products in the industrialised world, which have often caused problems for industrial and agricultural companies.

The Saudi Agricultural Development Company has occasionally found that its eggs have been undercut in Riyadh by imports from as far away as the United States. Likewise, during the recession the Aluminium Products Company, which manufactures door and window frames and other aluminium structures used in building, has found itself competing with imports from Japan.

A rather exceptional service company that has prospered because it has found itself without competitors has been the Saudi Chemical Company (SCC), whose shareholders are Prince Khaled bin Abdullah bin Abdel-Rahman, the Olayan Financing Company and Nitro Nobel AB.

The company manufactures explosives and carries out blasting work for contractors. The key to its success has been that it thought of going into the business before other Saudi companies and was able to obtain from the Saudi government, which is highly security conscious, a semi-exclusive licence for the manufacture and importation of explosive. The only other importer is Aramco.

Although contractors can buy explosives from SCC and do their own blasting, many of them are so daunted by the bureaucracy involved that they prefer to employ the manufacturer to do the job.

Example

A highly successful company that operates on a broader scale is Dallah-Avco, which is probably the best known service company in the Kingdom. This combination of an established Saudi company, Dallah, and an American company, Avco, which was bought by its Saudi partners in 1976, has won most of the operations and maintenance contracts for airports in the Kingdom.

It provides support equipment, baggage handling, despatch, logistic support for air control, maintenance of buildings and runways, catering and housing for staff. Given its near monopoly position and its single customer it will be difficult for a competitor to establish in Saudi Arabia a sufficiently big and plausible looking operation to challenge it.

Other companies that seem to have put themselves ahead of competitors are: the Industrial Services Company of Saudi Arabia (ISCOSA), which is owned by a Saudi company and Westinghouse, and does repair work on electrical equipment; Rajhi Hydrosoil, which does detailed survey work for roads; and Conam, a wholly owned Olayan concern, which at one time did all the maintenance work on the Kingdom's desalination plants—before the Saline Water Conversion Corporation established its own service operation.

Although Conam is still the biggest desalination plant maintenance company in the kingdom, the scale of its operations has been reduced by the take-over of much of its work by SWCC. Given that water treatment in its different forms comes under many separate government authorities in Saudi Arabia, the market for Conam's type of service in the kingdom is now regarded as being fairly open.

People who are in the business say that careful management is even more important in service industries than it is in manufacturing companies. Whereas a manufacturer can develop a system to produce his product at a lower price than his competitors and sell on this basis alone, a service company has to be marketing itself continually. Its management has to talk to its clients and make sure that they are getting the service they expect.

A senior executive of one of the more successful Saudi service and industrial groups remarked recently that in services "client concern problems" came up much more often than they did in industry, and that, unlike importing and trading companies, his service affiliates had "to work for all their income." "But this," he added, "is the other side of the coin from the big margins."

M. F.

Operating a desalination plant: an English engineer trains a Saudi at Alkhobar in the Eastern Province.

High class imported U.S. cars on sale in a Jeddah showroom. Saudi Arabia has a high vehicle/population ratio but a horrifying accident rate. This, combined with high repairs costs, means that the motor insurance sector is far from profitable

Insurance market expands despite religious objections

HOW TO minimise personal and corporate risks continues to be one of the dilemmas that face foreigners in Saudi Arabia. Commercial insurance is explicitly prohibited by the kingdom's religious leaders. But few in the Saudi business and government elite would deny cover against the possibility of unforeseen losses is essential.

Religious rulings about insurance are not entirely unambiguous. The council of senior ulemas definitively proscribed all kinds of commercial insurance in 1977. But a subsequent resolution by the general secretariat of the board of senior ulemas — headed by the blind divine Abdel-Aziz Bin-Abdullah Bin-Baz — affirmed co-operative insurance was permissible.

Islamic objections to insurance are complex, but can be broken down into three main categories: commercial insurance contracts contain usury (riba) (because the assets of insurance funds are usually invested in interest-bearing instruments); gambling (maisir); and action to circumvent the will of God (juhala).

Opinions vary about the degree to which each of these forbidden elements occurs in commercial insurance, but there is general agreement that juhala is an invariable and unacceptable feature of commercial insurance.

The influence and fundamentalism of Saudi Arabia's religious leaders have created tight limits to the freedom with which the Government can deal with insurance. The kingdom is governed by the Sharia, but a commercial code has been established over 50 years to cater for the needs of the growing number of foreign and indigenous business corporations.

But the pragmatism that characterises the Government's approach to many areas of commerce and industry is much less evident so far as insurance is concerned.

The contradictions became increasingly evident with the start of the oil boom. Demand for insurance has risen dramatically because of the extraordinary amount of construction work and the sharp rise in the volume of cargo brought into the kingdom by air, land and sea. This created major opportunities for insurers, but companies could not register in Saudi Arabia itself to serve the market.

The tension between the demands made by Islam and the needs of the Saudi economy runs through the public and private sectors. But it is a particularly troubling issue for state agencies. Whether insurance cover is sought depends upon individual officials with the result that insurance is patchy in the public sector, and policies and standards vary considerably.

Contribution

The official position that insurance is invalid failed to discourage some state agencies from making their own contribution to the development of indigenous insurance skills.

Most notable is the Royal Commission for Jubail and Yanbu's insurance "wrap-up" programme for all its non-marine facilities, estimated to be worth about $17,000m at the end of 1982. At the specific request of the Royal Commission, considered to be one of the most progressive of Saudi state agencies, local insurance companies were allocated 75 per cent of total risk. Responsibility for preparing and supervising the programme was given over to a joint venture involving locally-owned United Commercial Agencie and top U.S. broker Alexander and Alexander

Even though the package was widely publicised when it was aranged in May 1980, articles discussing the role of insurance in Saudi Arabia are usually removed from magazines and newspapers before they reach the kingdom's bookstalls. Sensitivity is still acute about insurance despite the extent that it has been adopted throughout the economy.

Cargo insurance is estimated to represent the largest single portion of total business done, reflecting the kingdom's extraordinary import needs. Construction all risk (CAR) has now fallen into second place reflecting the structural and cyclical slowdown in the market. Together, the two classes account for about 70 per cent of the market. Fire insurance probably accounts for as much as 20 per cent, and a wide range of other classes makes up the remainder.

Reflecting the structure of the Saudi business community, insurance contracts have generally been comparatively few but substantial in value. At the smaller end of the market, the principal money earner was workmen's compensation insurance, thanks to the kingdom's strict labour laws forcing employers to compensate their employees for injury at work.

But all this changed in the spring of 1982 with the Government's decision to transfer the entire business to the General Organisation for Social Insurance—the rough equivalent of the UK's national insurance system.

The other substantial, low-average value market is motor-car insurance. Most prudent drivers have taken out comprehensive car insurance. The business, however, is far from profitable because of Saudi Arabia's horrifying accident rate and the high cost of repairing damage. Life insurance is still very much the exception among Saudi citizens.

Up to 300 insurance outlets, an excessive number, service the Saudi market. The main reason why there are so many, perversely, may well be the government's failure to incorporate insurance into the kingdom's legal framework.

Though insurance companies may not be established in Saudi Arabia, there are no obstacles to insurance firms registered offshore doing business in the kingdom. This, coupled with benevolent attitudes at senior government levels, has effectively removed all barriers to new entrants to the market.

The result has been rates pushed well below prudent levels, often even lower than those recorded in Europe for identical facilities. This trend intensified following the emergence of a growing number of Saudi-owned or affiliated companies—precisely those firms that actions like the Royal Commission's is designed to encourage.

Often with only very limited capacity to retain risk, sometimes staffed by people with limited experience of the technical challenges insurance creates, these companies are said to have placed additional downward pressure on rates.

But brokers, underwriters and reinsurers from established insurance centres are also allocated some of the blame.

Buffeted by recession and an explosion of capacity, many have sought relief from troubles in traditional markets by riding the kingdom's insurance boom.

Western reinsurers now say they are attempting to underpin the kingdom's rating system, even if this means loss of business and cash-flow. In the kingdom itself, the Saudi Insurance Association — the principal grouping of Saudi-owned and affiliated insurers—is attempting to encourage improvements in professional standards and is about to launch staff training schemes.

Significance

Leading figures in the association are playing down the significance of a split which led earlier in 1983 to the resignation of 11 of its 26 members—including Saudi United Insurance Company, an affiliate of the Ahmed Hamad Al-Gosaibi & Brothers group. Unity between the two sides is forecast by the summer.

These moves are welcomed, but critics of recent developments predict that only a major loss will restore acceptable rates by shaking out the less professional insurers. The risk of this happening is ever present. Recent examples of the surprises the kingdom can spring include floods, like those in early 1982 which swept away huge stretches of road in the south-west and caused considerable damage in Jubail industrial city.

The Gulf oil slick threatened the kingdom's desalination and thermal power plants in the spring. Major claims could have been made if winds had swept the oil west instead of towards Iran.

Others look towards self-regulation coupled with some form of state intervention. Hopes that the government would regularise the market were raised in March by a government statement—encouraging the use of local companies—that explicitly mentioned insurance firms. But there is little concrete evidence this will happen in the near future.

A third body of opinion invests hope in the development of Islamic insurance which would downgrade the importance of profit-making in the insurance business. Only two companies of any significance have offered Islamic insurance — essentially based on co-operative or mutual funds. Neither have managed to prevent the shift towards commercial insurance.

Geneva's Dar al-Mal al-Islami (DMI) launches its own Islamic insurance scheme this summer. DMI executives say their concept is about to make the breakthrough that will consign conventional insurance to the rubbish-bin of history in Muslim states—but not overnight. A 10-year transition period—even if the DMI scheme succeeds—is considered an optimistic prediction. Western insurers have reason to hope the change will take much longer.

Edmund O'Sullivan

Monetary Agency's policies come under closer scrutiny

THE RECENT sudden departure of Abdul Aziz al al Quraishi as governor of the Saudi Arabian Monetary Agency raises a series of questions that will only be partly answered in the months ahead. Why did he leave after nine years? Who will be his successor? And perhaps most importantly will it have any impact on SAMA's foreign investment strategy?

Quraishi's resignation was officially explained as a retirement to allow for his long-desired return to the private sector. But when the news first broke in Okaz newspaper, speculation quickly spread through a stunned banking community that the exit was due to a disagreement on budget policy.

It is known that the 52-year-old Quraishi had in fact wanted to return to his family's lucrative commercial enterprises as long as two years ago. He was telling close associates only two months ago that he intended to step down. And despite the ominous connotations of officially leaving on the same day the new budget takes affect, it is the traditional time for retirement because the pension fund has always preferred it that way.

Successor

Vice-governor Hamid al Siyari was named acting governor until King Fahd settles on a permanent successor. For the time being, he is considered the front runner for the job. He enjoys the strong support of his finance minister, Sheikh Mohammed Aba Al Khail, who nominated him as vice-governor in May 1980 when then vice-governor Khaled Al Gosaibi retired.

The 41-year-old Siyari comes from the Nejdi province of Qassim and was first brought into the Ministry of Finance and National Economy from the Institute of Public Administration, where many of Aba Al Khail's lieutenants have been recruited.

Prior to his arrival at SAMA, Siyari served with the Saudi Industrial Development Fund, the Public Investment Fund, and as chief analyst in the budget department at the Ministry. His unexpected elevation to the vice-governorship in May 1980 ruffled a few feathers however, and Ahmed Abdul Latif, the talented director of foreign investments was elevated to deputy governor, a position that lacks the political weight of the royally-appointed governor and vice-governor slots. Dr Ahmed Al Malik was brought over from the Ministry of Defence where he earned a reputation for financial prowess to succeed Abdul Latif in the foreign investment department.

The attention being focused on SAMA would not be so great if it wasn't for the growing importance of its role as overseer of Saudi Arabia's huge portfolio of foreign assets, which currently total about $140bn. There has been growing pressure on the monetary agency and its handling of the investments in the light of the plunging oil revenues. And the net drawdown this fiscal year will probably be substantially greater than the $10bn envisaged in the budget.

SAMA's investment strategy has been marked by extreme conservatism and a prudent recognition that the security of its assets rests with the stability of the western financial system. It took the initiative over the last few years to steadily increase its contributions to the International Monetary Fund to some $17bn for instance, and last December it placed $1bn in dollar deposits with Paris banks to help President Mitterrand defend the battered franc.

The 30 year old monetary agency prefers fixed rate, very liquid investments, either direct placement purchases of government securities or cash deposits with a carefully selected list of foreign banks. Two thirds of its portfolio is in U.S. dollars, primarily U.S. government treasury bills and notes and another 20 per cent is in D-mark and yen denominated securities. It invests in seven other currencies.

The foreign asset portfolio is only one of SAMA's responsibilities. It must also oversee the kingdom's rapidly developing banking system and the management of the currency. Both have been characterised by an increased appetite for regulation.

Its banking control department, under director general Omar Sajeiny, has been sending auditors on occasional surprise visits over the last six months to keep the banks on their toes. Since last October, SAMA has required more detailed monthly reporting, detailing assets by currency and maturity. There is still an informal limit on the dollars the domestic banks may purchase in a single day, ranging from $50m for the smaller banks to $100m for National Commercial. A 15 per cent with-holding tax on interest income earned by a foreign bank is now being enforced, making it more expensive to borrow offshore.

Co-operation

SAMA issued a circular on January 15 which forbids domestic banks from participating in riyal syndications with foreign banks. The circular, however, only applies to riyal financing, but does not include guarantee facilities. Ironically, the offshore banks thought the circular was aimed at them, to curb offshore riyal activity. As it turns out, the circular was meant to prod the local banks to co-operate more and to increase their own domestic lending.

It seems the idea of the ban arose after the governor took a look at an eight page foldout ad by Saudi American Bank last November which highlighted its impressive list of syndications. Unfortunately, from Governor al Quraishi's point of view, almost all the participating banks were foreign; he thought the lack of offshore co-operation was one thing, but rubbing it in with such publicity was another.

SAMA has also made it clear it is not in the business of rewarding bad management. When the Dammam-based Al Rajhi offshoot found itself in trouble last year the monetary agency made no move to bail out the hapless speculator. A committee was established to investigate the outstanding debt, but that was the extent of its limited involvement. The message has been well received among the banks, some of which may soon experience some difficulties with undisciplined lending.

SAMA has also been very successful in keeping the riyal one of the hardest, freely convertible currencies in the world. It appears to have abandoned the riyal's parity to the SDR, however, for the sake of stable exchange rate parity to the U.S. dollar.

According to finance experts, the monetary agency's track record on both the domestic and foreign investment side under the nine year leadership of Al Quraishi has been remarkably solid. It has, in fact, been Quraishi's strongest asset in the agency that he has been powerful enough to steer the institution clear of politics or any hint of corruption.

SAMA remains one of Saudi Arabia's most solid institutions and Quraishi's successor will have a formidable task in maintaining the performance record of the departing governor.

Patrick McGovern

Banks face up to period of slower growth

ONE OF these nights there will be a gathering of bankers, perhaps on the verandah of a Jeddah seaside villa, with a cool breeze from the Red Sea to break the stifling summer heat. Their pin-striped jackets tossed to the side, they will sink back into their chairs, sip from tall glass of Saudi champagne, and talk misty-eyed of 1982, the last of the golden years of banking in the kingdom.

While the changes underway in the domestic banking system are neither dramatic nor entirely unexpected, it is clear to everyone that the heady days of relatively easy profits and phenomenally high growth are over. The slowdown in government spending is translating into a greater reliance on the banks in financing working capital requirements. Credit decisions are getting tougher as the market spreads to small and medium sized companies lacking sophistication or track records. Both risk and cost are rising while margins are falling; earnings look to tumble to more earthly levels this year and capital growth will almost certainly slow.

It is a new era for the banks, a phase 2, and it just won't be as much fun anymore.

The banks, however, will be tackling this new phase of a more moderate growth with a solid base to work from, for the banking system as a whole made impressive strides last year, perhaps only just short of spectacular.

The consolidated assets of the ten commercial and investment banks climbed over the SR 20bn mark by the year end and the total balance sheet footings rose to more than SR 216bn. Five years ago it was less than a third that, about SR 70bn.

Net earnings for the year were an average 20 per cent or better over 1981, and the high rate of retained earnings helped to push the consolidated capital and reserves of the banks to more than SR 10bn. The number of branches rose to more than 350, with most of the expansion in 1982 occurring in the villages and cities outside the three main urban areas.

The banks also introduced an array of new products and services, with the automation of operations paving the way. Saudi American, for instance, the kingdom's very own "go-go" bank, kept ahead of the pack with direct terminal linkups between the customer's office and the bank's own computer system. Several other banks such as Saudi British, Al Bank Al Saudi Al Hollandi, and National Commercial are rapidly catching up with the automation of their own operations.

Treasury services are also improving as automation and the advent of Reuter monitors in the dealing rooms are backing up enlarged treasury staffs. Plans are underway at two banks for automatic teller machines and electronic banking hookups with selected merchants.

Syndications

Cash management and project financing advisory services are fast becoming the rule rather than the exception at the more progressive banks. Saudi American and National Commercial may soon market credit cards, following the lead of Saudi Cairo and Arabian Express, a privately owned consumer credit card company.

Most of the banks, led by NCB and SAmba, former merchant banking or international departments which put together syndicated deals worth more than $770m in the first three quarters of 1982. Saudi Investment Banking Corporation introduced a new line of products such as vendor leasing arrangements which offer borrowers an alternative means of financing capital requirements.

Such innovations will be essential if the banks are to remain profitable and if the banking system is to continue meeting the needs of a developing economy. But as the economy shifts toward the productive sectors, the traditional profit centres of the banks such as trade finance and bonding facilities are losing some of their lustre.

For instance, banks that have relied on the fee income generated from syndications or bonding facilities may find themselves vulnerable to the downturn in the contracting sector since last Hajj. Other banks heavily geared towards trade financing may find themselves equally vulnerable as the growth in imports is expected to decline this year.

These changes are occurring

CONTINUED ON NEXT PAGE

Money exchangers hit by current account clampdown

THE Al-Rajhi Company for Currency Exchange and Commerce holds current accounts for its customers that total as much as the deposits in the National Commercial Bank, the country's biggest commercial bank. The company's branch network is more than one and a half times the size of NCB's and for many Saudis and expatriate workers it is the most important financial institution in the kingdom.

Nominally the company has capital, excluding reserves, of SR 600m ($175m). This figure is of little legal significance. The true backing behind the firm, an unlimited partnership of four brothers, Salih, Sulaiman, Mohammad and Abdullah, is in the form of SR 24bn ($7bn) of personal assets.

Saudi Arabia's other leading money exchangers are nowhere near as big as Al-Rajhi Company but are still substantial institutions. Mohammad and Abdullah Ibrahim Subai and Abdel-Aziz Sulaiman Mukairin both firms owned by families from the Nejd, are backed by partners' assets of some $300m-600m.

Al-Rajhi Trading Establishment, owned by Abdel-Rahman bin Salih Rajhi, and the Al-Rajhi Commercial Establishment for Exchange, owned by Abdel-Rahman bin Abdel-Aziz Rajhi have backing in the $100m-plus range. The owners of both of these companies are closely related to the partners in the main Rajhi company. Abdel-Rahman bin Salih is a son of the eldest brother in Al-Rajhi Company for Currency Exchange and Commerce, and Abdel-Rahman bin Abdel-Aziz is a much younger brother of the partners in the big Rajhi company.

At the bottom of the first league of money exchangers are the firms of Abdel-Aziz Kaaki, Ahmed Abdel-Qawi Bamaodah and Ali Hazaa, whose owners each have personal assets backing their businesses of $50m-$100m. Abdel-Aziz Kaaki has a separate fortune derived from his large minority holding in National Commercial Bank.

An interesting feature of the eight biggest money exchangers is that the owners of five, including the Rahji firms, come from the centre of Arabia, and not from the Hadhramaut, in what is now Southern Yemen. The Hadhramaut is commonly thought in Saudi Arabia to be the home of most exchangers.

Modern

The Kaaki family is from Mecca, in the Hijaz, and Ali Hazaa is from the Ghamid tribe, between Mecca and the south-west. Among the big names only Ahmed Abdel-Qawi Bamaodah is a Hadhrami.

Below the eight leading money exchangers are numerous small exchangers in the Jeddah souk, most from the Hadhramaut.

A relatively small but fast growing operation is the Ahmed Hamad Algosaibi Money Exchange Bureau. This was established in Alkhobar in the Eastern Province in 1980. The company is unique in that it is much more modern than the other exchangers.

The most important part of all the exchangers' business in the past 10 years has been the acceptance of current accounts of unsophisticated Saudis and foreign labourers. This business began when most of the companies were founded, in the late 1940s and early 1950s. It seemed natural then for the exchangers to hold money in safe keeping for their clients.

From the 1960s the current account business rapidly increased. Devout Moslems, who included the whole Saudi population and many foreign workers, preferred not to put their money with the banks. They would not ask for interest on their accounts but they knew the banks would be liable to hold the money abroad and earn interest for themselves. This, the customers felt, would somehow put them in sin through having aided the banks' earning of interest.

The money exchangers scrupulously avoided dealing in interest. A Saudi who dealt with the exchangers' accounts in one of the big banks remarked recently that he had not come across a single instance of an exchanger asking for interest. For any one of them to do so would mean instant disaster if it became known.

The traditional exchangers make their income from dealing in exchange or trading with customers' money. They say the foreign currency they buy is only to cover the drafts they issue to foreign workers, Saudi tourists and Saudis moving investment capital abroad. In practice the amounts they deal in are far bigger than would be required for this purpose.

In the view of the Saudi authorities in the later 1970s the enormous growth of the money exchangers' businesses was not desirable. The exchangers operated outside the banking laws. They were not required to maintain set levels of reserves or keep any funds on deposit with the Saudi Arabian Monetary Agency (Sama), the central bank.

Cheques drawn on accounts with exchangers were not recognised by the Commerce Ministry as having any value. This meant that if they were dishonoured the payee had no legal redress. In cases where cheques drawn on proper banks bounce, the law in Saudi Arabia is that the drawer is sent to jail for three months unless he can come quickly to a satisfactory arrangement with the payee.

At the end of 1981 the Government decided that the Finance Ministry should issue new regulations to control the exchangers. These referred to a resolution of the Council of Ministers in the early 1970s, which had never been published as a royal decree, and to the Banking Control Law of 1966, which had prohibited exchangers from carrying out banking activities but had been ignored.

In essence the new regulations placed the exchangers under the control of Sama rather than the Commerce Ministry, stipulated that they should maintain certain levels of reserves, and ordered them to close their current account operations.

In the view of the exchangers the last of these regulations amounted to an order that they should reduce their businesses to less than a quarter of their existing size. Mohammad bin Abdel-Aziz Mukairin, who runs his family's Riyadh office, said recently "... the purpose of the regulations is not to control the money exchangers: it is to drive them out of business."

He added: "There are other ways of controlling the money exchangers, if that is what the Government wants."

The exchangers immediately protested to the ulema, the Saudi religious and legal establishment, claiming that their operations were more in accordance with the Quranic prohibition of usury than the banks'. They do not seem to have obtained an effective response.

The exchangers, acting individually, told Sama that while they accepted the need for regulation they felt this could be carried out without their having to liquidate their current account businesses. They were popular with the Saudi public (partly because they stayed open much later than the banks and were less bureaucratic in their dealings) and they were an intrinsically Saudi institution which unlike most of the banks had evolved from inside Saudi society. In general, they said, the Government should seek to expand and develop the exchangers, not destroy them.

It is questionable whether Sama, or the King, who takes all important decisions in Saudi Arabia, would have been persuaded to amend the regulations in a major way even if all had proceeded smoothly in the exchange dealing community in 1982. As it happened one of the main exchangers went bankrupt in July of that year. This was Abdullah Salih Rajhi, a brother of Abdel-Rahman Salih and the owner of a fourth Rajhi exchanging business, known simply as the Abdullah Salih Al-Rajhi Establishment.

Abdullah Salih collapsed precisely because his activities had been uncontrolled. He had speculated massively in silver then, instead of cutting his losses, chased them. Several Western banks, including Kredietbank of Belgium, lost money and large numbers of foreign workers in the kingdom were left with valueless drafts.

The exchangers were much embarrassed by the disgrace of one of their number and have since gone out of their way to claim that Abdullah Salih was a wholly exceptional case. The three respectable Rajhi companies were particularly embarrassed when Western bankers and ordinary members of the Saudi public confused their names with the bankrupt establishment.

It now seems that all of the smaller exchangers will be obliged to close their current account businesses by the end of 1984 and revert to simple exchanging.

The controls they face

Issued by Finance Ministry, December 12 1981.

1. No licences to be issued for new money exchangers.
2. Existing exchangers to submit to Sama details of ownership, capital and branches, and copies of their licences. On the basis of these submissions and exchangers abiding by new regulations below Sama will issue new licences for (renewable) periods of three years.
3. Exchangers must have capital of SR 500,000 minimum, plus SR 50,000 per branch. Exchangers wishing to undertake money transfer must have capital of SR 2m minimum, plus SR 500,000 per branch.
4. Exchangers must maintain whatever cash reserve Sama specifies on deposit with banks nominated by Sama. (In practice the reserve for most exchangers has been 20 per cent of capital.)
5. Exchangers licensed to make money transfers must keep with correspondents or with main offices full cover for transfers drawn on correspondents.
6. Exchangers may not open new branches without Sama permission.
7. Exchangers may not accept current accounts or deposits or make loans.
8. Any exchanger carrying out above operations to cease them within three years, in accordance with a timetable to be agreed with Sama. No new deposits or current accounts to be taken after a period of one year from the date of regulations.
9. All money exchangers to keep accounts in accordance with procedures to be set by Sama. Exchangers must provide Sama with copies of their annual balance sheet. Sama is entitled to request whatever other information it needs and to inspect exchangers' records. (In practice Sama has requested monthly statements).

The bigger exchangers are talking to Sama about their future. Some have suggested that they should be allowed to run controlled current account businesses. Others, including Al-Rajhi Company for Currency Exchange and Commerce and Al-Rajhi Commercial Establishment for Exchange, have requested formally that they be licensed to become Islamic banks.

The latter arrangement would involve a revolutionary change in the kindgdom's banking system. Islamic banks, of which there are none in the kingdom at present, trade with their assets instead of putting them on deposit and pay their depositors a share of their profits at the end of the year.

Formality

Given that much of the trade involves buying commodities on behalf of companies rather than lending the companies money to buy the same commodities, the difference between Islamic and conventional banking is partly a matter of formality. Even so it is thought that if an Islamic bank were licensed in Saudi Arabia it would either take much of the commercial banks' business or force the banks to change their way of lending.

Sama's position on the exchangers' future is that all will be obliged to conform to the new law, although in practice it is known that Al-Rajhi Company for Currency Exchange and Commerce has been exempted temporarily

In effect Sama is leaving open the possibility that some exchangers will be allowed to take themselves outside the law's scope by being given banking licences either to operate as a type of secondary bank or become Islamic banks.

Some of the exchangers seem confident that they will be allowed to continue taking current accounts in some way. They include Al-Rajhi Company for Currency Exchange and Commerce, which has established a subsidiary in London called Al-Rajhi Company for Islamic Investments, and Algosaibi Money Exchange Bureau, which says it has had no hesitation in spending $6m on its computer network.

Exactly what form of compromise will emerge will probably not become known until a few months or even weeks before the deadline for the liquidation of the exchangers' current account business at the end of next year. If an agreement has not been reached by then a typically Saudi solution will be to extend the deadline.

Michael Field

Slower growth

CONTINUED FROM PREVIOUS PAGE

at a time when those made-in-banker heaven spreads have already been sharply narrowed. Interbank rates for marginal funds, to which most lending is pegged, have slid into the 8 to 10 per cent range after hovering in the mid to high teens for a year or more. The highly favourable funding mix of the deposits is slowing giving way as at least half the deposits are now in time rather than demand accounts. Operating

The growth market is probably the "middle" or "second tier" market of the small to medium sized companies in the manufacturing, downstream or consumer services industries. But the lack of a solid track record or management sophistication, coupled with the higher odds of bankruptcies in a slower economic environment, is making the banks cautious. At least one Saudi-ized bank, with deep inroads into the middle market of small joint merchants or companies, is now experiencing serious difficulties with its loan portfolio.

There is, at least on paper, plenty of riyals to lend. The domestic banks have always been flush with funds and, in search of good credit risk, have often placed half their assets offshore for lack of elsewhere to go.

The problem has been exacerbated by the Ministry of Justice edict forbidding the use of property mortgaged as collateral on loans. The banks have devised schemes of manoeuvring around the ruling, but they are clearly in a legal no-man's-land and it is having an impact on their credit evaluation process. Indeed, credit assessment is quickly becoming the single biggest issue facing the banks in 1983.

Despite these difficulties, the development of the domestic banking system carries enormous implications for the offshore banks in Bahrain that rely to a large degree on riyal business.

"One can have doubts about fostering the development of institutions designed to promote capital outflows," commented Sheikh Mohammed Aba Al Khail, Saudi Finance Minister, at a conference in Dubai on banking in February 1982. Few Gulf bankers have forgotten his indication of official Saudi thinking.

The growing confidence and competence of the onshore banks, coupled with the growing regulatory prowess of SAMA to keep riyals onshore, bodes well for the future of the suitcase bankers.

Patrick McGovern

COMMERCIAL BANKS IN SAUDI ARABIA
(in millions of ryals)

Bank	Net profit		Total assets/ liabilities		Total deposits		Loans or advances	
	1980	1981	1980	1981	1980	1981	1980	1981
National Commercial Bank ...	478	591	31,039	41,457	28,967	22,695	12,246	16,144
Riyad Bank	433	512	14,069	24,178	11,011	17,874	5,418	8,389
Saudi French Bank	66	184	5,686	6,282	4,789	5,103	2,807	2,827
Saudi American Bank	109	280	7,066	7,581	6,277	6,431	4,304	4,042
Saudi Cairo Bank	117†	121	5,592	8,311	4,234	5,679	2,949	3,058
Saudi Dutch Bank	76	121	3,566	5,478	2,964	4,557	1,929	2,149
Saudi British Bank	96	115	4,347	5,102	3,538	4,239	1,762	2,177
Arab National Bank	148	217	3,281	4,261	2,871	2,323	1,455	1,570
Al Jazira Bank	53	87	2,297	3,184	2,003	2,844	1,107	1,283
Saudi Investment Banking Corporation	35	37	4,182	4,995	3,154	4,604	1,646	1,518

† 15 Months. Source: FT.

The kingdom is essentially pro-business but it can prove a costly trap for the uninitiated, **Edmund O'Sullivan** reports

How to make the most of the land of opportunity

HAVING A working knowledge of Saudi Arabia's labour and commercial laws and an understanding of the Sharia, which ultimately governs the conduct of all individuals and institutions, is just the starting point for a newcomer to the kingdom's business circles. The unwriten rules about doing business can be equally important, and most can only be learned through experience.

Saudi Arabia is essentially pro-business, and its commercial code is designed to help rather than hinder the activities of the private sector. Promoting free enterprise is one of the cornerstones of the kingdom's development programme.

The modernisation drive is also designed to be a national experience, and government is quite explicit about its bias in favour of local over foreign companies. This has become more important in the wake of the slump in oil revenues as the state moves to protect Saudi firms from the worst effects of the recession.

Because Saudi Arabia only became a major element in world trade quite recently, laws governing companies are constantly being refined and updated to take into account the rapidly changing needs of the economy. Tax, capital transfer, insurance and bid and tender policies are revised frequently and mainly to the benefit of the private sector.

The Government's attitude to foreign investment is among the most positive in the Middle East and is defined in an industrial policy statement published in February 1975:

"The Government welcomes foreign capital as well as foreign expertise and invites their participation in industrial development projects in co-operation with Saudi businessmen. The Government . . . assures investors that it will always avoid imposing any restrictions on the entry and exit of money to and from the kingdom."

Eight years later, the view of how foreign companies fit into the development programme remains essentially the same, though there are signs of disillusion with some of the practices of non-Saudi businesses, particularly their unwillingness to allow national companies to play a larger role in their activities in the kingdom.

Tough

The tougher approach was seen again this spring. "We have warned our foreign friends the contractors that this negative attitude towards Saudis will force the Government to pass laws to make it harder for them," Deputy Commerce Minister Abul-Rahman al-Zamil said in a recent interview. His comment followed a royal decree compelling companies to subcontract at least 30 per cent of projects they work on to Saudi-owned firms.

It is unlikely action will be taken to reduce the incentives to foreign business investing in Saudi industrial projects. These include Government help in setting up factories, subsidies, exemption from custom duties, a tax holiday on the overseas' investors share of profits, the provision of serviced sites in the kingdom's growing number of industrial estates and preferential treatment to local manufacturers in the award of state contracts.

You do not have to invest in the kingdom to do business there. Initially, most companies work directly supplying customers, without representation in the country. The advantages are that the cost of having staff or agents working on your behalf are avoided. The disadvantages, however, are considerable. First, the Government is taking a tougher line with companies failing to work through a Saudi agent. Probably more important is that arms-length business with Saudi Arabia is becoming increasingly ineffective because of competition.

The choice at this point is whether a company can afford to finance the cost of having executives working in the field. If the answer is yes, the next question is where should they be based?

Until the late 1970s, the majority would have plumped for frequent travel from outside the kingdom, even from head office. Some chose representation in a neighbouring state, particularly if they were UK-based because of easier visa requirements for Britons in Bahrain, the UAE and Qatar. This option was particularly attractive because of poor telecommunications and the high cost of housing in the kingdom at that time.

The disadvantages again include missing out on long-term and direct contact with potential customers. Obtaining visas, on the other hand, has become a minor problem. In the UK, applications are handled by the Arab Chamber of Commerce and visas can normally be obtained in about seven days.

Since the economy started expanding strongly again in 1979, being represented in the kingdom itself has become more important. Of course, it remains possible to travel on a business visa and stay in one of the growing number of first class hotels in Jedah, Riyadh and the Al-Khobar conurbation. The cost of air travel plus hotels, and the premiums they impose for the use of the telex and telephones, can be enormous.

Direct representation can take two main forms. The most popular is to make an agency agreement with a local company. Legislation covering the relations between a Saudi company and the foreign businesses it represents allows the two parties to come to a wide range of agreements. There have been moves to make it compulsory for foreign suppliers to bear more responsibility for products they sell in the kingdom.

Commercial agency agreements open the door to the Saudi market; but there are many pitfalls. A well-respected agent may represent a large number of other foreign companies and will not have the time to nurture a newcomer. So it may be better to select a Saudi partner with a more limited range of interests. A small Saudi company will rarely have the nationwide network of branches or the commercial support facilities necessary to do business effectively. Commercial agency ageements should not be rushed into because they are usually difficult to terminate. Ending an agreement sometimes creates bitterness with the former partner, and suspicion in Saudi business circles.

The principal fiscal advantage is that a company doing business through an agent does not technically exist in the kingdom and is, therefore, not subject to corporate tax; but the arrangement will entail the payment of commissions, which can sometimes have little relation to the amount of work done on a company's behalf by its Saudi partner. There are, however, many examples of highly successful agency relationships.

The other option is to set up a joint venture, in partnership with a Saudi company, which would also act as agent for the overseas shareholder. More than 1,000 have come into existence, though most are small. Some, however, are among the largest Saudi corporations, including the E A Juffali & Brothers/Daimler Benz venture, National Automobile Industries, leading supplier of heavy trucks and the Japanese/Saudi joint National Pipe Company of Dammam, a joint venture plant involving Saudi and Japanese investors.

The principal disadvantage is having to underwrite the success of the company with money. The advantages include having much closer control over how a company's business is conducted in the kingdom. The most important is help provided by the government. As long as the Saudi equity stake is at least 25 per cent, the company is entitled to seek long-term, low-cost credit from the Saudi Industrial Development Fund (SIDF), though whether it will be granted is not a formality.

Joint venture manufacturers, as Saudi companies, may also benefit from customs duty protection. So far, however, the Government has imposed tariff barriers selectively, usually when local companies are meeting at least 50 per cent of domestic demand. Duties range up to 25 per cent.

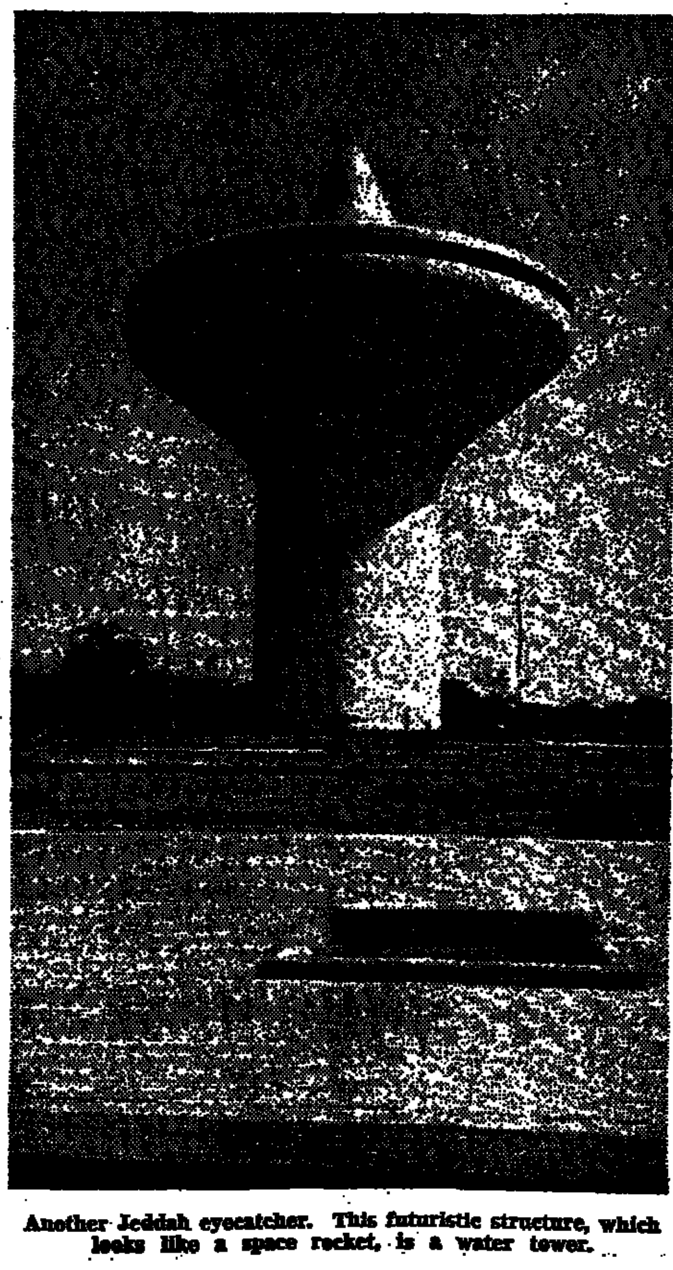
Even with such assistance, the joint venture approach is highly risky. A mistake could be made about the choice of business partner and market segment. Conflicts can and do arise between the foreign and local partner. Finding high-quality staff prepared to commit themselves to working for at least two years in the kingdom is a major difficulty.

All these factors suggest companies planning to do business for the first time should commission a detailed and realistic feasibility study. If the results should fail to be positive, plans to press ahead with such a project should be thoroughly reviewed. Saudi Arabia is still a land of opportunity for businessmen, but one that can become a costly trap for the ill-prepared and careless.

Edmund O'Sullivan is news editor of the Middle East Economic Digest.

One company doing very good business in Saudi Arabia is Daimler Benz. This model is now manufactured in Jeddah by National Automobile Industries, a joint venture between Daimler Benz and Juffali. Saudi Arabia has a large truck population—bigger than Britain's—and Mercedes has 70 per cent of the market

The roof of the Pilgrim Terminal in Jeddah Airport, one of the first sights to catch the eye of many businessmen entering Saudi Arabia. The airport, which was completed in 1981, is one of a number of examples of striking modern architecture in the kingdom.



Another Jeddah eyecatcher. This futuristic structure, which looks like a space rocket, is a water tower.

Progress made in defence but reliance on U.S. remains

FOR A few hours last January, a flurry of air activity over the Gulf kept the fighter squadrons at the King Abdul Aziz air base at Dhahran at their highest stage of alert. Iranian F4 Phantoms were buzzing the middle stretches of the Gulf at low altitudes, just minutes within striking distance of the Ras Tanura oil refinery and export terminals. Their movements were closely monitored by the American crew aboard the E-3A Awac circling on the horizon, but positively identifying the aircraft as hostile was difficult and kept tensions high.

As it turned out, the Iranians were circling over a fellow pilot who had been downed in an air duel with the Iraqis and who had bailed out into the Gulf waters. But the incident and similar events preceding it, coupled with the renewal of fighting between Iran and Iraq in the Val Fajr valley has increased anxieties here and the awareness of military vulnerabilities.

Saudi Arabia has made some notable progress in improving its defence capabilities in the last year or more, albeit at tremendous expense. But its reliance on the U.S. as provider of arms and training, and as the "defender of last resort," has not diminished in the least. The continuing presence of the American Awac and tanker aircraft with the U.S. Air Force markings parked alongside the main runway at Riyadh's commercial airport serves as an acute reminder.

The Gulf remains a primary defence preoccupation, but the Saudis have very successfully reduced other regional threats on its long borders. Relations with Aden, for instance, have thawed considerably and the two countries will soon exchange ambassadors. The old threat of an Iraqi army sweeping in from the north has also diminished as the once militant sounding Iraqi leadership has all but embraced its conservative Gulf financiers. And despite the heated rhetoric, few here believe Saudi Arabia poses a viable target for a pre-emptive strike by the Israeli air force. Sporadic Israeli intrusions into Saudi air space, however, including taunting direct overflights of the sprawling Tabuk air base in the north, are not only irritating but could one day result in an air skirmish.

Trumped up

There is still of course the scenario of the Soviet encirclement of the Gulf with its presence in Ethiopia to the west, South Yemen to the south, and Afghanistan to the east. It is a point the Americans rarely miss the chance to make. And although many of the younger Saudis wonder aloud whether this isn't an American trumped up fear, the upper echelons of the Saudi leadership do take it seriously enough to co-operate closely with the Americans.

The co-operation between the Pentagon and the Saudi defence establishment is extensive. There are at least 12,000 Americans here serving in some military capacity and companies such as Lockheed, Raytheon, McDonnell Douglas, the Vinnel Corporation and the U.S. Army Corp of Engineers are well entrenched.

It is probably only the sensitive political issue of American bases on Saudi soil, or at least access to existing facilities, that separates the two. American military planners stress the acute need of a forward military base for the U.S. Rapid Deployment Force if it is to be a credible deterrent against Soviet aggression. The U.S. must currently rely solely on its Indian Ocean fleet and its tiny base at Diego Garcia. The U.S. also has some limited access to air and naval bases in Oman and Kenya, but there are no equivalent Clark or Subic bays in the entire area stretching from Turkey to the Philippines.

The Saudis, while acknowledging the necessity of their American defence umbrella, continue to prefer that military muscle be kept on the horizon and that the U.S. instead help to build the kingdom's own defence capabilities. The Saudis have spent in excess of $100bn on their military in the last decade. They have easily the highest defence spending per capita in the developing world and they continue to be a lucrative market for British, American and French arms manufacturers despite a 19 per cent cut in budget allocations this year to SR 76bn. Most recently, the Saudi taste for the newest weaponry is likely to stir another heated debate in the U.S. Congress with the reported sale proposal of 1,200 M1 main battle tanks.

An E-3A Awac: constant patrols near the Gulf coast

The lion's share of Saudi defence spending, however, continues to be in building the most basic infrastructure facilities and on training. Giant military complexes at Tabuk in the north, Khamis Mushyat in the south, and at Dhahran are being upgraded, and a $7bn King Khaled Military City at the wells of Hafr al Batn near the Iraqi border is being built from scratch. Deep water naval bases at Jubail in the Gulf and just south of Jeddah on the Red Sea are nearing completion. Smaller naval facilities are also being built at Al Wajh, about 130 miles south of the Gulf of Aqaba on the Red Sea coast.

The Saudi military is divided into three separate commands each with its own functions and under the patronage of different princes. Crown Prince Abdullah has retained his control over the tribal National Guard, which he has commanded since 1963. Prince Naif, the Minister of Interior, oversees the kingdom's 6,500 man internal security force, which has improved its capabilities over the last few years since the Mecca siege with the assistance of West German and French advisers. And Prince Sultan, the second deputy Prime Minister, is Minister of Defence and in charge of all three of the main branches, navy, air force and army.

Considering the long distances of desert terrain that separate the three main population and industrial areas, Saudi Arabia's primary defence need is an effective air deterrent built around advanced fighter aircraft, supported with a co-ordinated air missile defence system and an integrated ground command. The heart of the Royal Saudi Air Force is one squadron of F-15 Eagle interceptors based at the Abdul Aziz air base in the Eastern Province. Another 48 F-15s are being phased in. There are another 114 F-5 fighters based at Tabuk, Dhahran, Taif and Khamis Mushyat. Further backup is provided by two squadrons of the ageing British built Lightnings and two squadrons of Strikemasters. The RSAF also mans 59 C-130 Hercules Transport aircraft.

Its surface to air defence system is built around improved Hawk missile batteries fixed batteries in Jeddah, Riyadh, and Ras Tanura and Dhahran. It also has mobile French-built Shahine low altitude surface to air batteries mounted on AMX-30 tank chassis serving with the army units.

More than a year ago, an Iranian Phantom streaked across the Gulf at high speed penetrating Saudi air space before the scrambled F-15s could locate it. It eventually cruised over the air base at Dhahran wiggling its wings, indicating it was a friendly landing of a defecting Iranian pilot. But the co-pilot and the plane were returned. A few months later, a C-130 lumbered in with a half dozen passengers, again illustrating embarrassing holes in the air defence system.

The Saudis have since closed those gaps, primarily caused by a lack of proper communication between the "eyes in the sky" and the fighter pilots. The phasing in of the sophisticated F-15s, and the introduction of advanced AIM-9L Sidewinder missiles, which allow pilots to fire head on rather than losing precious minutes to manoeuvre behind, has significantly raised the ability of the air force to deter an attack on the oil facilities. While the oil fields are and will remain largely indefensible, the increased capability of the RSAF at least means fewer of the attacking aircraft would get back.

Missiles

The Navy is the smallest of the three services under Prince Sultan. It presently is composed of three U.S.-built corvettes and 53 patrol craft. It has on order several more corvettes and four French-built frigates with ship-to-ship missiles. Absorbing the new ships with Saudi Arabia's manpower problems will be difficult for the fledgling navy. Its primary task to date seems to have been cruising along the beach north of Jeddah to warn bikini-clad Western women to cover themselves.

The Army consists of two armoured brigades of 280 French-built AMX-30 medium tanks and 150 American M-60 medium tanks. Two of the four infantry brigades are now fully mechanised with U.S. M-113 and French AMX-10P armoured personnel carriers and British-built Scorpion light tanks. There are also four supporting artillery battalions of 105 and 155 towed and self-propelled howitzers. The Army's continuing weak points are the lack of a co-ordinated training programme and the difficulty of absorbing so much sophisticated weaponry.

Unlike the Army, the National Guard has received extensive and co-ordinated training down to the company level by the 1,800 American military advisers provided by the Vinnel Corporation. The focus of attention has been the 6,500-man mechanised Imam bin Mohammed al Saud brigade. The Guard is trying to recruit enough personnel to build another mechanised brigade. There are another 11,000 men in the firqa, or regular units, and liwa, or irregular units.

The mechanised brigades recently held a 10-day training exercise in the desert some 250 miles west of Riyadh. Despite the great distance in moving the units from as far as Hofuf in the Eastern Province, they were said to have performed very well in two days of day and night manoeuvres. The Guard is said to have continuing discipline problems as the bedouin who make up its units often have first to discuss their orders. Once convinced, however, their loyalty and ferocious fighting ability are not questioned.

Patrick McGovern

Michael Field examines the role of the National Guard

Social and military institution

THE Saudi Arabian National Guard is now being modernised by a U.S. team from the Vinnel Corporation. The intention is that by 1989 most of the guard will have been given infantry support weapons, such as mortars and anti-tank guns, and formed into three brigades.

Once the modernisation is complete the guard will be able to complement if necessary the regular army. Up to now the conventional view of the guard has been as a counter to the army—a deterrent to officers who might have thought of launching coups d'etat.

This view was always too simple and too military. The guard was never purely a security force. Even now it is being modernised it is as much a social as a military institution.

The guard had its origins in the 1930s and 1940s, in the years after the campaigns of King Abdel-Aziz which created Saudi Arabia. The king never paid his army on a regular basis but he realised that once his troops were finally sent home they would have no means of supporting themselves in reasonable prosperity. If the soldiers, most of whom were bedouin or villagers, were allowed to become impoverished it was feared they would become disaffected and rebellious.

It was decided that they should be given financial assistance by the Government when the Government had the money to do so. This assistance was to come partly in the form of simple development spending, involving the construction of schools, for example, and partly through money paid to the amirs (chiefs) of the liwas (battalions) in which the troops had fought. A liwa was a formation which carried a flag—literally the world liwa means flag—and was about 1,000 strong.

Summing up the guard's early days Brigadier Ali, a retired senior officer of the force, remarked recently that it was not meant to be a paramilitary force. It was more "a retired servicemen's association such as they have in European countries."

The guard's organisation around the chiefs has continued since the 1930s. The system is natural in Saudi society. Most of the present chiefs are the sons or grandsons of men who fought in the armies of King Abdel-Aziz. The rest are other important leaders of sections of tribes.

The chiefs are paid generously so they can provide hospitality for their soldiers and distribute largesse to them. The soldiers' salaries are channelled through the chiefs but their uniforms and rifles are provided directly by the Government.

Hereditary

At all levels service in the National Guard is hereditary. A man can serve in the guard until he is 60 or 65 then, when he retires, his son has the right to succeed him. While in the guard a man is not expected to report for duty every day. Almost all guardsmen run their own businesses.

Inevitably the guard is organised on tribal lines. The members of a liwa are from a single tribe. The tribes that are best represented in the guard are the Otaiba, from the area between Riyadh and Mecca, and the Mutair, from the north-east of the kingdom.

An important purpose of the guard is to bring the bedouin into modern society, to settle them within reach of schools and medical care. The guard encourages its troops to improve themselves. In January this year there was a prize-giving in Jeddah for soldiers who had been able to memorise the Quran. On other occasions prizes are awarded to soldiers who have learned to read and write.

The guard's modernisation is not so much the conversion of liwas to heavier weapons and modern organisation as the creation of a new guard alongside the present tribal institution.

The new units are being formed partly from young volunteers in existing units and partly from recruits outside the guard. The units are composed of mixtures of tribes and even have in them townsmen from the Hijaz, in Western Arabia, who have never been members of tribes.

For the rest of this decade at least there will in effect be two national guards. Gradually members of the old guard will retire and in time the guard command may find it is able to persuade their heirs to enlist in the new guard or not join up at all.

In dealing with the bedouin, however, the Saudi royal family feels it can never be heavy handed. If large numbers of soldiers want to stay on in the liwas it will probably let the old guard remain for many more years.

"God knows exactly what they will do," remarked Brigadier Ali in February this year. "They have a sacred duty to those who fought and died in the cause of God."

SAUDI ARABIA XVI — Politics

All the King's men: (from left to right) Oil Minister Ahmed Zaki Yamani, Finance Minister Mohammad Aba al Khail, Foreign Minister Saud al Faisal and Crown Prince and First Deputy Premier Abdullah bin Abdul-Aziz

THE DECISION MAKERS

By JOHN CHRISTIE

SAUDI ARABIA today has a large, costly and routinely cumbersome bureaucracy which, in the manner of all bureaucracies generates much paper and tends to distance the ruler from the ruled. In most modern countries this is of no great consequence; the ordinary citizenry do not generally expect to have direct contact with the leaders of the government. However, this is not so in the Kingdom, where access to the country's leaders—tribal Shaikh, regional governor or the King himself — has been a time-honoured and freely exercised right.

The traditional *majlis*, where authority sat in open court and anyone could come with their complaint or petition, still exists. But its original function has almost disappeared; instead the law courts exist to redress a wrong and the appropriate ministry official is to whom the petitions should now be addressed.

Familiarity

These days the *majlis* is often no more than a token occasion; an opportunity to see and be seen, a subtle reminder to the host of loyalty and support, a convenient means to display a respectful familiarity.

King Fahd, it is said, does not much like the *majlis*, regarding it as wasteful and too time consuming a method for the conduct of government business.

But if the mechanics of government have been adapted for a more modern society, the fundamental exercise of the central power has not. From the time when King Abdul Aziz — Ibn Saud — established his rule over all of present day Saudi Arabia, the house of Saud has collectively held the ultimate levers of power firmly in its hand. To paraphrase Mr Truman's famous aphorism; the buck not only stops at the Saudi royal family—it begins there as well.

Although members of the royal family are highly visible in their control of affairs they are a minority in the ministerial posts of the government. Out of the 22 ministerial portfolios, the royals have only six.

King Fahd is his own Prime Minister as well as head of state, and four of his brothers occupy key positions. Prince Abdullah, the Crown Prince and first deputy premier, also commands his beloved—and formidable—National Guard; Prince Sultan is second deputy premier, and has the Ministry of Defence and Aviation; Prince Nayef is Minister of Interior; and Prince Muteib heads the Ministry of Public Works and Housing.

The sixth royal in the Cabinet, Prince Saud, son of the late King Faisal and a nephew of King Fahd, is Foreign Minister.

Royal princes proliferate in the second and third echelons of government, as governors of most of the 14 provinces, in the armed forces, the Intelligence Service, and any ministry or government body of significance.

The 14 other Ministers (Prince Muteib doubles as acting Minister of Municipalities and the Ministry of Health is vacant) are all commoners and come from widely different backgrounds. Most of them hold their positions from their competence and ability and they remain as ministers by virtue of their performance.

Whereas the senior princes are described as having been educated "at the Royal Court, tutored in chivalry, religion and politics," the commoner ministers largely have a more orthodox educational background.

The sober and cautious Minister of Finance, Mohammad Aba al Khail, has a B.Comm. (Business Administration) from Cairo University and worked his way to his present post through the administrative ranks of the civil service. He became Deputy Minister of Finance in 1970 (under a princely minister) until 1975 when he became Minister.

Ghazi al Gosaibi, in charge of the important Industry and Electricity Ministry, is an erudite academic (MA and PhD in International Relations) who is a noted Arabic poet and writes charming essays in English about bureaucrats and bureaucracy.

All the world knows the charismatic Oil Minister, Ahmad Zaki Yamani, with his elegant western suits and Gucci shoes. His international *persona* is matched by his education; Mecca, Cairo, New York and Harvard.

He too, began in the lower echelons of the civil service, in the Tax Department of the Ministry of Finance. Behind his sophisticated westernised image, Ahmad Zaki is a devout and learned Muslim and has published an authoritative book on Islamic jurisprudence.

From the same clan but only distantly related to Ahmad Zaki, Mohammad Abdu Yamani, the Minister of Information, has emerged as the public spokesman for the Saudi regime. Another academic (a PhD in geology, Cornell University) he is a former Rector of King Abdulaziz University. Now, Abdo Yamani invariably makes the public announcements of Saudi policy and reports the deliberations of the Cabinet, all delivered with urbane style in carefully chosen words.

The little known Alawi Darwish Kayyal, the Minister of Posts, Telegraphs and Communications, is another PhD and has written studies on American oil policies. One of his books, in Arabic, is titled "How to Control Oil: a Struggle between East and West." He is also a competent technocrat whose ministry has brought to the kingdom one of the most sophisticated and modern communications system in the world.

Hisham Nazir, the Minister of Planning, is the man who more or less single-handed devised the first and second development plans. He can therefore claim with some justice to have been largely responsible for the vast and irretrievable changes that have been wrought in the kingdom.

Hisham Nazir, a talented and worldly man, is said these days to be rather less energetic, and his impact on affairs is thought to be less than it was. But he fixed the planning ethic firmly in Saudi Arabian philosophy.

Talent

This array of technocratic talent in the Saudi government can match the qualifications of comparable administrations anywhere in the world. Yet, for all their abilities, the non-royal ministers are not the formulators of policy in Saudi Arabia. They are the executives of government, charged to operate the now-complicated machinery of a modern state.

The apparatus of government in Saudi Arabia can be likened to a well-established, successful and autocratic family business. The royal family has the controlling shares, and selected members of it make up the board of directors. Non-royal ministers are senior managers, given much responsibility and with substantial delegated authority. But they are neither invited nor do they expect to take much part in the board room deliberations and decisions.

Policy is for princes and ministers are for mechanics, and the division of function is well understood and acceptable.

Moreover, the system demonstrably works very well; the corporate entity of Saudi Arabia flourishes and the paternalistic direction makes very certain that there is a wide and generous distribution of the profits.

Roger Matthews examines the relationship between Saudi and Britain

Friends despite the rifts

DURING the past few months the closeness of the relationship between Britain and Saudi Arabia has been highlighted by sharply contrasting economic and diplomatic developments. There has been both an inter-governmental row, which some British businessmen feared would threaten their commercial interests in the kingdom, and an altogether more important, if unstated, coincidence of view and action over the attempted stabilisation of world oil markets.

On individual days recently Britain may have overtaken Saudi Arabia as an oil producer. The two extremes for the role of Opec's swing producer have been well demonstrated since the autumn of 1980 when Saudi Arabia's oil output initially climbed to above 10m barrels a day to compensate for the loss of Iranian and Iraqi crude at the start of the Gulf War. But by the spring of this year it had slumped to 3.5m b/d and in early April there were days when it even dropped below Britain's average of 2.2m b/d.

Attention

Sheikh Ahmed Zaki Yamani of Saudi Arabia was the first Opec minister to draw public attention to Britain's pricing and production policies as pressure mounted on the Opec members for a cut in the reference price. Although there was plenty of under the table price cutting going on within Opec's ranks, no member wished to be the first publicly to break ranks with the $34 reference price. Sheikh Yamani suggested that Britain, which is not a member of Opec and theoretically allows demand to set prices, should lead the way down.

The British National Oil Corporation obliged and pitched its new recommended prices at a level which would have allowed Opec to regroup around a new $30 reference price. Had the British cut not been followed by a precipitate $5 cut by Nigeria, the strategy might have worked. Instead there was to be a full-blown Opec crisis with Britain cast as key non-playing participant and London as the venue for the negotiations, somewhat to the embarrassment of the British Government.

Neither Britain nor Saudi Arabia wished for a free for all on oil prices, preferring, as befits major producers, a limited and orderly reduction. For its own political reasons, the British Government was determined not to be seen co-operating with a cartel, even though the views of many cartel members were very similar to its own.

Yet after the Opec meeting had finally struggled to an agreement on a $5 cut to a new reference price of $29 and Britain had eventually reacted with a modest trimming of its own prices, the London Government was to receive private thanks, not least from Saudi Arabia, for its helpful attitude. Saudi Arabia would, of course, be even happier if Britain reduced its production but it is satisfied that while the threat of an oil price war remains it can count on London's stabilising influence.

While this highly positive development was taking place in Anglo-Saudi relations, it was all the more disturbing for British businessmen that far more publicity was being given to a wholly unnecessary row between the two countries over Palestinian representation. There is no direct evidence that the dispute caused even any short-term damage to commercial relations, but there was equally no doubt that the British community in Saudi Arabia found that it caused some friction in their day-to-day dealings with Saudis.

Not since the screening of "Death of a Princess," which caused the British Ambassador in Jeddah to return to London for three and a half months, had there been such a rift in relations. Although their alarm turned out to have few commercial repercussions, the British business community genuinely feared that they were going to suffer.

Contained within the dispute was a useful lesson for future relations. The British Government's refusal to receive at ministerial level a senior official of the Palestine Liberation Organisation as part of an Arab League delegation represented no change in British policy. However the manner in which the refusal was made caused deep offence. The later inclusion in the Arab League delegation of a prominent Palestinian who did not hold PLO office, coupled to red-carpet treatment for the visiting ministers, showed just how easily the problem could have been avoided.

The Saudis, no less than any other Arab League member, emphasised their pleasure that the dispute was over by quickly rearranging the visit which Mr Francis Pym, the Foreign Secretary, had been forced to postpone.

Not only did Mr Pym have lengthy talks with the senior members of the royal family in Riyadh in early April but also was flown out into the desert for a lengthy chat with King Fahd.

One of the handicaps which Britain may have in its dealings with Saudi Arabia is that it is viewed in Riyadh as a generally sympathetic and friendly nation. The Saudi Government tends to expect more of Britain than it does other nations. It is accordingly far more disturbed when Britain adopts what it considers to be a hostile attitude that it would be, for example, if the Dutch government behaved similarly.

Independence

Equally, of course, the lion's tail is there to be pulled. British attitudes matter to Saudi Arabia but they are not so important—politically, economically, or militarily—that Riyadh hesitates to demonstrate its independence from the old imperial power which all too recently policed the Gulf region.

Britain is now Saudi Arabia's fourth largest trading partner, after the U.S., Japan and West Germany. During 1982, British exports to the kingdom totalled £1.38bn, an increase of 20 per cent over the previous year. This followed two previous annual increases of 18 per cent and 17 per cent respectively. The trend seems unlikely to continue at this pace because of the Saudi budgetary cutbacks but British officials appear confident that the market share can be increased further.

Britain's inability to win the largest Saudi infrastructure contracts is now seen as something of a blessing in disguise. Not only has this sector of the Saudi market passed its peak but it also requires the heaviest investment in the Kingdom and is among the most vulnerable to budget cuts. Instead Britain's concentration on machinery sales, particularly for power generation, on the provision of high technology equipment and consumer goods is viewed as a meeting a strong and continuing demand.

However there is no doubt that the market is already becoming still more competitive, with the decline in the value of sterling an important bonus for British exporters.

Where there may be little to choose between different products in terms of quality and pricing, successful British businessmen in the kingdom emphasise that it is the other apparently less significant factors which can make all the difference to winning orders. While Saudi customers may vacillate and not reply to telexes, it is vital that the British exporter does not allow himself this luxury when some interest is expressed. Saudis like to deal with people who can make decisions without time-consuming reference back to head office. Once they had made up their minds they expect their suppliers to provide instant action.

The predicted contraction of the Saudi market this year, and perhaps for some time to come, must however be measured against the extraordinary explosion in economic activity which followed the quadrupling of oil prices in the aftermath of the 1973 Middle East war. A more settled pattern of growth in no way diminishes the importance of the Saudi market in world trading terms. The strong British presence in the kingdom, with upwards of 25,000 expatriates and the second largest diplomatic representation, provides a powerful platform for a continuing strengthening of relations at all levels.